



**DEPARTMENT OF THE AIR FORCE  
AMC CONTRACTING FLIGHT**

10 Jul 03

**MEMORANDUM FOR ALL CARRIERS**

**FROM:** AMC CONF/LGCFP  
507 Symington Drive Room W202  
Scott AFB IL 62225-5015

**SUBJECT:** Notice of Final Fiscal Year 2004 (FY04) Uniform Rates and Rules for International Service

1. As you already know, the Uniform Rates and Rules are not published in paper copies. The final FY04 Uniform Rates and Rules are published on the web site of [www.eps.gov](http://www.eps.gov). You need to look under the FY04 solicitation number F11626-03-R-0002. We strongly suggest that you register with EPS notification, that way when the final rates are published you will be notified electronically.
2. The FY04 rates are based on fuel pegged at \$.90 and \$1.00 per gallon for passenger and cargo, respectively. The final rates for the various classes of service are as follows:

	<b><u>Linehaul</u></b> <b><u>Rate (cents)</u></b>		<b><u>Stop Charge</u></b>
Large Class Passenger	8.799	per seat mile	\$2,000
Medium Class Passenger	10.203	per seat mile	\$2,000
Small Class Passenger	11.923	per seat mile	\$2,000
Large Class Cargo	26.928	per ton mile	\$2,000
Medium Class Cargo	30.184	per ton mile	\$2,000

3. If you have any questions please feel free to call our office at 618-256-9991.

// SIGNED//

DONNA L. THOMAS  
Supervisory Price/Cost Analyst

# AIR MOBILITY COMMAND

*FINAL  
UNIFORM RATES AND RULES  
FOR  
INTERNATIONAL SERVICE*



*FISCAL YEAR 2004*

Global Reach for America

## **INTRODUCTION**

The Final FY04 AMC Uniform Rates and Rules (hereafter referred to as “Rates”) are developed according to ratemaking procedures attached to the MOU for FY03 through FY07, and methodologies previously established by the Civil Aeronautics Board. The objective of the MOU is to establish guidelines to facilitate the ratemaking process for DoD airlift with carriers willing to participate in the Civil Reserve Air Fleet (CRAF).

AMC has reviewed base year cost data furnished by carriers for the year ending Jun 02. Cost data was audited and AMC analyzed carrier’s projections for FY04 AMC operations. Adjustments were made to be consistent with past ratemaking practices, Federal Acquisition Regulations, and the MOU. The following paragraphs address significant issues that are of interest to all carriers. Several carriers had comments concerning treatment of their individual costs to be included in the rates. These comments were resolved with these individual carriers and addressed by footnotes in Appendix H.

The proposed rates were issued on 1 May 03 with carrier comments due on 2 Jun 03. The following carriers provided comments: Atlas Air, Continental Airlines, Evergreen, Federal Express, and Polar Air Cargo. The comments will be addressed with appropriate rate category.

### **Participation.**

AMC’s objective is to have a pool of accurate cost data that fairly represents the cost of providing DoD charter service. Consequently, the MOU requires carriers receiving more than \$3M of AMC charter business for one class of aircraft (i.e., B-747), in charter passenger or cargo service, to submit their actual cost data. Fifteen carriers submitted cost data for FY04 Rates.

AMC used base year data (1 Jul 01 – 30 Jun 02) from AMC's Commercial Operation Integrated System (COINS) database to determine which carriers would exceed the \$3M threshold.<sup>i</sup>

#### **CRAF Activation/Deactivation.**

On 8 Feb 03 AMC activated CRAF Stage I Passenger International Segment, Long Range Section. This activated 47 passenger aircraft from 11 commercial airlines. The revenues generated by these missions are included in the weighting of the FY04 Rate. The carriers were notified by e-mail on 2 Jun 03 that CRAF Stage I Long Range International Passenger Segment is deactivated and all aircraft associated with this segment are released effective 180001ZJun03.

AMC's rate is a composite rate representing the cost of providing AMC service worldwide. There may be costs incurred by an individual carrier under extenuating circumstances that may not be covered under the uniform rate. Where a carrier has incurred such additional costs under an AMC mission, the carrier should contact the administrative Contracting Officer for further guidance. Any request for price adjustment shall be made in writing to the Contracting Officer and include all relevant facts, documentation, and rationale. The Contracting Officer will consider such price adjustments and make disposition in accordance with applicable laws and regulations.

#### **Standard Allowable Cabin Loads (ACL).**

No comments were received on the B-777 ACL of 330 as addressed in the proposed rate. However, we did receive a comment on the B-747 aircraft, stating there should be a difference in rates between the three types of B-747 aircraft. The comment further stated that a B-747-400 has significantly more range than a B-747-200 thereby having the ability to fly non-stop missions. Furthermore, a B-747-200 has more range capability than a B-747-100. AMC appreciates the performance differences in various models of the B-747 aircraft, however, in setting a peacetime rate, cargo requirements do not exceed 90 tons. The well-known fact remains that in AMC cargo service most aircraft are not able to carry the maximum payload of 90 tons, rather the aircraft bulks out. AMC is

aware that there is greater capital involved with the acquisition of a B-747-400 aircraft, but rather than having AMC adjust ACL's, the carrier always has the right to complete and submit separate rate packages for each aircraft model. However, if submitting separate packages, the cost and statistics must be broken out by model and must have an auditable trail. Appendix A reflects the current ACL's established by the class of aircraft.

#### **Class of Aircraft Service.**

In the proposed rate, AMC provided background information supporting the change in rate structure. Further the Rate discussed the new classes of aircraft service for both the passenger and cargo operation, which better reflects the economies of operating in AMC service. No comments were received regarding the classes of aircraft; therefore, the final rate will reflect the classes of aircraft as proposed. Appendix A reflects the class of aircraft with the appropriate ACL's.

#### **Stop Charges.**

The proposed rate provided background information supporting the stop charges of \$2,000 for each class of aircraft. No comments were received on the proposed stop charges; therefore, the final rate will reflect the stop charge of \$2,000 for each passenger and cargo directed landing in all class of aircraft service.

#### **Full Return on Investment.**

We received no comments from carriers on the proposed ROI. Between the proposed and final rates, AMC reviewed the updated indices for the return on investment model (Appendix K). The proposed rates projected a rate of return of 11.19 percent. It is noted the final return decreased by 6 basis points. An adjustment was also made to the cost of equity model (Appendix K, page 2). The risk free rate of return on long-term U.S. Treasuries for year ending Dec 02 was 5.42, which lowered the cost of equity to 13.83 percent. The cost of debt for year ending Sep 02 was reduced to 7.80. Adjusting the capital compensation model of Appendix K, page 1, results in a final rate of return of 11.12 percent for FY04. Therefore, 11.12 percent was applied to the FY04 average net book value of owned and long-term leased investment.

**Minimum Return (Profit).**

AMC applies a minimum return allowance where a carrier's aircraft is fully depreciated. The minimum return provision is consistent with former ratemaking practices. Therefore, in cases where a carrier's investment base no longer yields a return on investment equal to or greater than 10 percent of total operating costs, a minimum return of 10 percent has been provided.

**Working Capital.**

The final rate reflects 23 days of working capital as stated in the current Memorandum of Understanding (FY03 through FY07).

**Cost Escalation.**

The purpose of cost escalation is to project base year costs into the forecast contract year period, FY04. As discussed in the proposed rate, whenever possible, the carrier(s) and AMC try to use factual information such as lease agreements and union contracts for projecting forecast period cost levels; however, the cost escalation factor is applied when actual data is not available. The mutual interests of AMC and industry are to find and to apply a reliable and accurate method of forecasting prospective costs for DoD contract services. The cost escalation model used to forecast cost changes from the base period to the forecast period, as outlined in the current MOU, consist of two indices, the Air Transport Association Index (ATA) and the PPI-Nonscheduled Air Transportation Index, PCU 4522#, as published by the Bureau of Labor Statistics. These indices were subjectively weighted to calculate the most valid escalation factors for the FY04 proposed rates. The adjusted ATA index specifically covers labor, all other costs (personal services, utilities, taxes, etc.), aircraft fleet, maintenance material, passenger food, landing fees, communications, and insurance. This index more directly correlates to cost escalation of participating carriers, therefore is weighted at 75 percent. The PPI-Nonscheduled Air Transportation Index was given a lesser rating of 25 percent. The PPI-Nonscheduled Air Transportation Index used in the proposed rate did not need to be updated. AMC attempted to update the ATA index; however, the data was not available.

The latest data (2<sup>nd</sup> Quarter of 2002) was used in the proposed escalation model and will also be used for the final rate. Appendix K reflects the annual cost escalation factor for the final FY04 Rate of 3.91 percent.

### **Ferry.**

No comments were received on the ferry rate as proposed at 90 percent. The ferry rate is a reduced rate based on savings of flying an empty aircraft. An empty aircraft does not incur costs such as food, full cabin crew salary, and passenger liability insurance. The aircraft in empty service is more fuel-efficient and flies a more direct route. An empty aircraft in non-revenue service also incurs lower cost in “aircraft and traffic servicing.” Non-revenue enroute stops do not incur cost related to traffic handling personnel, gate requirements, security, and in some cases lower landing fees. AMC reviewed the current cost levels in all cost categories. The ferry rate for FY04 will remain at 90 percent of the effective rate.<sup>ii</sup> See Appendix A for actual ferry rates.

### **One-Way Rates.**

Historically, AMC carriers claim that commercial backhaul opportunities for AMC missions are nonexistent. The ability to find a one-way commercial charter to parallel AMC’s one-way requirements does not exist, since passengers require round-trip service. Unless the AMC charter carrier has a significant AMC fixed buy that parallels a commercial tour operation, there is limited ability to coordinate aircraft flow and achieve commercial backhaul.

The one-way passenger and cargo rates are based on the round-trip rates, adjusted to reflect certain savings and economies. The adjustments for the one-way rate are: (1) cost savings associated with flying an empty aircraft in backhaul service, (2) a reduction for backhaul miles flown in commercial service, (3) a reduction for fewer miles flown in backhaul service due to aircraft scheduling efficiencies.

AMC addressed the savings of flying an empty aircraft in the earlier paragraph concerning the “ferry” rate. The savings for flying an empty aircraft are roughly 10

percent. This savings also holds true for flying an empty aircraft in the reverse segment of a one-way mission.

Although there are limited commercial backhaul opportunities in AMC passenger service, historical data does reflect some efficiency in aircraft scheduling resulting in fewer miles flown in empty backhaul service. Appendix M reflects the carrier data associated with empty backhaul service for AMC missions. This data reflects the two empty legs before/after an AMC one-way mission. The empty legs represent the movement of the aircraft prior to re-entering commercial service, positioning to maintenance, or positioning to a carrier's home base of operation.

The statistical ratio of historical empty flown miles, to live one-way miles, does reflect some efficiencies in the scheduling of aircraft in empty reverse segments. The ratio of live miles to empty miles, based on statistics of Appendix L, reflects a minimum 50 percent savings on average. This savings in conjunction with the 10 percent savings for flying an empty aircraft reflects a minimum of 15 – 20 percent savings for one-way missions. Therefore, AMC is proposing a one-way passenger rate of 185 percent for FY04.

Since no comments were received from industry on the proposed one-way rates, and the data used to establish the one-way rates are still current, AMC is setting the following one-way rates for final FY04:

- The one-way passenger rate is set at 185 percent of the round-trip seat mile rate.
- The one-way fixed cargo rate is set at 155 percent of the round-trip ton mile rate.
- The one-way expansion cargo rate is set at 180 percent of the round-trip ton mile rate.
- The one-way contingency passenger rate is set at 193 percent of the round-trip passenger rate.
- The one-way contingency cargo rate is set at 195 percent of the round-trip cargo rate.

#### **Two Tiered Cargo One-Way Rate.**

The fixed buy one-way channel missions were set at a reduced rate. These missions are presented to the industry for a year in advance. In theory, the carriers have the



opportunity to work the flow of the DoD one-way missions with their commercial one-way missions to make for an efficient operation.

We received one comment regarding the two-tiered one-way rate requesting we take another look at the rate set in the proposed FY04 Rate. AMC looked at the statistics collected and reported in the proposed rate. The historical data analyzed reflects the rate of approximately 150 percent; however, when looking at the individual carrier data, one reflects 50 percent and one reflects approximately 44 percent. When taking all factors into consideration, AMC is setting the one-way rate for fixed buy missions at 155 percent for FY04.<sup>iii</sup>

#### **Amenities.**

The FY03 contract requires Patriot Express missions be provided with upgraded meals comparable with business class service (to include upgraded snacks), movie snacks, and amenities, i.e. beverage napkins with AMC logo, headrests with AMC logo, and children's fun kits. The amenities surcharge was proposed and established based on carrier input and weighted by the revenues used in the FY03 Rate. Since the FY04 contract will still require the upgraded meals and amenities, and the costs are not included in the base period used for establishing the FY04 Rate, AMC proposed the FY03 amenities surcharge escalated by the FY04 annual cost escalation. No comments were received on the amenities surcharge; therefore, AMC is setting the final amenities surcharge at \$.0006 per passenger seat mile for FY04.

#### **Eurocontrol.**

AMC provides a Eurocontrol surcharge to compensate carriers for the extra high costs of missions through Eurocontrolled airspace. AMC analyzed actual Eurocontrol invoices for specific routes shown in Appendix I. The current Eurocontrol charges (converted to U.S. dollars) were calculated as a percent of the trip revenue using the FY03 linehaul rate (without stop charge). AMC proposed the FY04 Eurocontrol surcharge of 3.2 percent for passenger and 4.0 percent for cargo missions. No comments were received from industry

regarding the Eurocontrol surcharge. The Eurocontrol surcharge of 3.2 percent for passenger and 4.0 for cargo missions is applicable for the final FY04 Rate. See Appendix A for treatment of DC-8 cargo missions flying the hub and spoke operations within Europe.

### **Fuel.**

AMC rates peg the price of fuel for charter services based on data from carrier provided fuel reports and industry data. AMC reviews carrier provided fuel reports for determining fuel price trends and current commercial prices for DoD missions. Consideration is also given to the ratio of DoD and commercial fuel uplifted in support of DoD missions.

We received no comments on our pegged fuel prices in the proposed FY04 Rate. Cargo carriers received roughly 65 percent of their fuel at military installations and are charged the rate set annual by Defense Energy Support Center (DESC). Conversely, passenger carriers receive approximately 72 percent of their fuel commercially, which is historically below DESC prices and fluctuates up and down with the fuel market. A review of AMC fuel reports concludes that the weighted cargo fuel price is higher than the weighted passenger fuel price.

The commercial fuel prices are extremely volatile. This volatility is confirmed by Air Transport Association index (ATA) as well as the Department of Energy Spot Kerosene-Type Jet Fuel index (DOE). ATA's commercial fuel for Jan – Mar range from \$.85 to \$1.03, while the DOE Jet Fuel for Jan thru Jun range from \$.71 to \$1.15. The DOE fuel prices began to decline in Mar. The current prices for commercial fuel in AMC service for the passenger operation range from \$.87 to \$1.16, and for the cargo operation range from \$1.01 to \$1.43 per U.S. gallon for Oct 02 through Apr 03.<sup>iv</sup> The current (FY02) DoD fuel is pegged at \$.93 for JP-8, while the DESC is estimating FY04 DoD fuel to remain unchanged at \$.93 including into-plane fee. AMC is pegging the price of fuel at \$.90 and \$1.00 per U. S. gallon, for passenger and cargo, respectively. The pegged price includes into-plane fees and taxes.

AMC will continue to adjust each carrier's monthly revenues upward or downward if the price of fuel varies by \$.01 or more per gallon over the pegged price used in establishing the rate. The solicitation addresses the fuel adjustment procedures.

**Incremental Passenger Movement.**

In FY02, AMC developed an incremental passenger service rate for periodical requirements that require the use of extra seats above the standard ACL. The rate applies when the number of additional passengers above the standard ACL is identified for an exercise, SAAM, or contingency. See Appendix A.

**Appendices.**

Appendix A provides procedures and rules for the application of AMC Rates. Appendix B provides the weighting and participation of carriers comprising the large, medium, and small class of passenger aircraft and the large and medium class of cargo aircraft rates, respectively. Appendices C through G illustrate individual treatment of each carrier's cost by aircraft type, with explanatory notes provided in Appendix H. Appendices I, J, K, and L provide the Eurocontrol Surcharge, Cost Escalation Factor, Rate of Return on Investment Computations, and Operational Data for AMC Services, respectively.

<sup>i</sup> The Commercial Operation Integrated System (COINS) database supports contracting of commercial airlift. The database for contract dollars is maintained by AMC/DOY.

<sup>ii</sup> The analysis of the ferry rate was performed using the final FY03 widebody passenger rate of 8.476 (effective rate) cents per seat mile. The 90.1 was rounded to 90 percent.

Cost Category	Wgt'd Cost	Percentage Allowed	Cost Allowed	Ferry Rate
Crew	1.0390	100%	1.0390	
Fuel	1.4724	90%	1.3252	
Maintenance	1.2183	100%	1.2183	
Insurance	0.0947	100%	0.0947	
Rent	0.6714	100%	0.6714	
Depreciation	0.2963	100%	0.2963	
Preop	0.0000	100%	0.0000	
Grd Property	0.0760	100%	0.0760	
Aircraft & Traffic Service	0.8714	85%	0.7407	
Passenger Service	1.5912	65%	1.0343	
G&A	0.3754	100%	0.3754	
Profit	<u>0.7706</u>	100%	<u>0.7706</u>	
Total	8.4767		7.6418	<u><u>0.9015</u></u>

iii

The statistics shown below are based on carrier's AMC one-way reporting for base year 1 Jul 01 through 30 Jun 02 for the following routes:

KNGU-CYQX-LICZ-HECA-OBBI  
 KNGU-LERT-LICA-HECA-OBBI-OMFJ  
 KNGU-LERT-LICZ-OBBI  
 KNGU-LERT-LICZ-OBBI-OMFJ  
 KLFI-KDOV-LERT-LICZ-OBBI  
 KLFI-LERT-LICZ-OBBI-OMJF

Carrier	Aircraft Type	ACL	Paid One-Way Service		Weighted by ACL	
			One-Way Paid Miles	Flown Empty Reverse	One-Way ATM's (000)	Flown Empty Reverse (000)
EIA	B-747	90	261,457	130,907	23,531	11,782
FDX	B-747	90	97,643	43,487	8,788	3,914
TOTAL			359,100	174,394	32,319	15,695

Weighted ratio of Empty to One-Way 48.56%

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<sup>iv</sup> The average commercial prices of fuel in AMC service include into-plane fees and taxes. The below average price is also a weighted average for the month based on total dollars and total gallons broken out by passenger and cargo operation. The weighted average price is computed based on all carriers who provided fuel reports as of the end of May 03.

	Passenger Commercial	Cargo Commercial
<u>Month</u>	<u>Avg. Price</u>	<u>Avg. Price</u>
Oct 02	.94	1.12
Nov 02	.90	1.08
Dec 02	.87	1.02
Jan 03	.97	1.03
Feb 03	1.06	1.12
Mar 03	1.16	1.31
Apr 03	1.05	1.43

## ***INDEX OF APPENDICES***

<b><u>Appendix</u></b>	<b><u>Title</u></b>	<b><u>No. Pages</u></b>
A	AMC Uniform Negotiated Rates and Rules	6
B	Computation of Uniform Rates: <b>Large Class Passenger Service</b> <b>Medium Class Passenger Service</b> <b>Small Class Passenger Service</b> <b>Large Class Cargo Service</b> <b>Medium Class Cargo Service</b>	5
C	Costs Per Plane Mile by Carrier and Aircraft Type <b>In Large Class Charter Passenger Service</b>	4
D	Costs Per Plane Mile by Carrier and Aircraft Type <b>in Medium Class Charter Passenger Service</b>	3
E	Costs Per Plane Mile by Carrier and Aircraft Type <b>in Small Class Charter Passenger Service</b>	3
F	Costs Per Plane Mile by Carrier and Aircraft Type <b>in Large Class Cargo Service</b>	10
G	Costs Per Plane Mile by Carrier and Aircraft Type <b>in Medium Class Cargo Service</b>	3
H	Explanatory Notes	6
I	Eurocontrol Surcharge	2
J	Cost Escalation Factor	2
K	Rate of Return on Investment	2
L	Operational Data for AMC Service	1

**SCHEDULE OF UNIFORM NEGOTIATED RATES AND RULES  
FISCAL YEAR 2004**

**A. RATES.** Air transportation services shall be paid for at the following rates. In addition, carriers' monthly charter revenues will be adjusted for the variance in fuel price as provided in paragraph C of this Appendix A.

**(1) CATEGORY B (CHARTER) PASSENGER SERVICE**

**a. Large Class Aircraft**

*Passenger Linehaul Rates, cents per seat mile*

Round-trip:	8.799
One-way:	16.278
(Contingency Rate):	16.982
Ferry rate:	8.195 (90% of effective rate)
Stop Charge	\$2,000 per directed landing
Incremental Passenger Rate	\$ 176 (per passenger)

**b. Medium Class Aircraft**

*Passenger Linehaul Rates, cents per seat mile*

Round-trip:	10.203
One-way:	18.876
(Contingency Rate):	19.692
Ferry rate:	9.602 (90% of effective rate)
Stop Charge	\$2,000 per directed landing
Incremental Passenger Rate	\$ 176 (per passenger)

**c. Small Class Aircraft**

*Passenger Linehaul Rates, cents per seat mile*

Round-trip:	11.923
One-way:	22.058
(Contingency Rate):	23.011
Ferry rate:	11.781 (90% of effective rate)
Stop Charge	\$2,000 per directed landing
Incremental Passenger Rate	\$ 176 (per passenger)

**(2) AMENITIES SURCHARGE FOR PATRIOT EXPRESS MISSIONS--PASSENGER AIRCRAFT**

Surcharge per passenger seat mile \$.0006

**(3) CATEGORY B (CHARTER) CARGO SERVICE****a. Large Class Aircraft***Cargo Linehaul Rates, cents per ton mile*

Round-trip:	26.928
One-way (fixed buy):	41.738
One-way (expansion buy):	48.470
(Contingency Rate):	52.510
Ferry rate:	25.049 (90% of effective rate)
Stop Charge	\$2,000 per directed landing

**b. Medium Class Aircraft***Cargo Linehaul Rates, cents per ton mile*

Round-trip:	30.184
One-way (fixed buy):	46.785
One-way (expansion buy):	54.331
(Contingency Rate):	58.859
Ferry rate:	29.047 (90% of effective rate)
Stop Charge	\$2,000 per directed landing

**(4) DIMENSIONAL PRICING** – All cargo moved under Less Than Full Pallet (LTFP) CLINs are subject to dimensional pricing. Dimensional weighting compensates for low density per cubic area cargo movement. The dimensional weighting factor for international is 166 and for domestic cargo movement the factor is 194, consistent with commercial industry. The formula below illustrates how the dimensional weighting factor is applied for international. For the domestic calculation, substitute 194 in the place of 166.

Step 1 Shipment \_\_\_\_ length X \_\_\_\_ width X \_\_\_\_ height = cubic inches.

Step 2 \_\_\_\_ cubic inches, divided by **166** cu in/lb. = \_\_\_\_ chargeable pounds.

Step 3 Pay greater amount of: chargeable pounds or actual pounds.

Example: A shipment weighting 5 pounds that is 10" long, by 10" wide, by 10" high.

Step 1 10" (length) X 10" (width) X 10" (height) = 1,000 cubic inches.

Step 2 1,000 cu in, divided by **166** cu in/lb. = 6.02 chargeable pounds

Step 3           Actual weight = 5 pounds  
                     Chargeable weight = 6 pounds  
                     **Payable weight = 6 pounds**



## APPENDIX A

### (5) CATEGORY A SCHEDULED SERVICE CARGO (FULL PALLET)

The trip price for Scheduled Service cargo transportation is based on either a per pound or a per pallet, depending on the requirement, and negotiated outside the AMC rate.

- Minimum guarantee per 463L pallet for widebody is 4,980 pounds.
- Minimum guarantee per 463L pallet for narrowbody is 3,750 pounds.

**(6) EUROCONTROL.** Eurocontrol applies where a carrier is required to transit countries with an ICAO prefix of "E" or "L" (i.e., EDAF, LIRA), with the exception of EGYPT in the Falkland Islands. Carriers will be paid the applicable rate plus a surcharge of **3.2** percent of trip price (does not include stop charges) for passenger missions and **4.0** percent of trip price (does not include stop charges) for cargo missions. The Eurocontrol charge will not be calculated on ferry miles.

For cargo missions flying a hub and spoke operation within Europe, the surcharge will **not** apply. These cargo missions will be reimbursed Eurocontrol charges based on actual invoices. Eurocontrol charges are those invoiced by Eurocontrol, Rue De La LOI 72-B-1040, Bruxelles.

**(7) FERRY.** In the event the air carrier operates a round-trip flight where the distance between originating and terminating stations exceeds 250 statute miles, the carrier will be paid either ferry rate for the statute miles between the originating station and termination, or ferry rate for the statute miles between the terminating station and, by mutual consent, one of the carrier's principle operating bases. Ferry will be paid based on standard ACL or lesser amount.

The carrier will not receive paid ferry compensation if AMC has that carrier operate a follow-on flight, which originates from the terminating station within 24 hours.

**(8) INCREMENTAL PASSENGER MOVEMENT.** The incremental passenger rate applies when the number of additional passengers above the standard ACL is identified for an exercise, SAAM or contingency. The incremental passenger movement rate is \$176 for each additional passenger over the standard ACL. In cases when the per seat cost is lower than AMC's incremental passenger rate, AMC will pay the lesser amount.

**B. AIRCRAFT STANDARDS.** The rate set forth in paragraph A shall be applied to the following standard aircraft loads.

<u>PASSENGER AIRCRAFT</u>		<u>CARGO AIRCRAFT</u>	
Aircraft Type	Maximum Standard Payload	Aircraft Type	Maximum Standard Payload
<b><u>Small Aircraft:</u></b>			
B-727-100	120		
B-737	120		
B-737-300	130		
MD-80	140		
B-737-400	140		
B-727-200	150		
B-737-800	150		

APPENDIX A

<b><u>PASSENGER AIRCRAFT</u></b> <b><u>CONT.</u></b>	<b>Maximum Standard Payload</b>	<b><u>CARGO AIRCRAFT CONT.</u></b>	<b>Maximum Standard Payload</b>
<b>Aircraft Type</b>		<b>Aircraft Type</b>	
<b><u>Medium Aircraft:</u></b>		<b><u>Medium Aircraft:</u></b>	
B-757-200	190	DC-8-50	36.5
B-757-300	200	DC-8-62	39.2
B-767-200	200	DC-8-61	39.2
A-310	200	DC-8-63	45
A-300-600ER	210	DC-8-71	45
A-300	210	DC-8-73F	45
B-767-300	240	A300-B4(F)	50
B-767-400ER	260	A300-600ER	51
<b><u>Large Aircraft:</u></b>		<b><u>Large Aircraft:</u></b>	
L-1011-50	280	L-1011-50/100	60
L-1011-100	280	DC-10-10F	70
DC-10-10	280	DC-10-30/40	75
L-1011-500	300	MD-11C	82
A-330-300	310	MD-11F	86
A-330-323	310	B-747-100	90
B-777-200ER	310	B-747-200	90
DC-10-40	330	B-747-400	90
DC-10-30	330	B-747-400ER	90
MD-11C	360		
MD-11ER	360		
B-747-100	400		
B-747-200	400		
B-747-400ER	400		

**C. FUEL ADJUSTMENTS.**

(1) **General.** The carrier shall be compensated for variance in fuel prices incurred on AMC contract full planeload missions bought at the AMC rate. Compensation will not be made to the prime or subservicing carrier for substitute service or subcontracted miles. Adjustments will be made upward or downward if the price of fuel varies by more than one cent per gallon from the pegged price (as stated in the AMC Uniform Negotiated Rates and Rules) used in establishing the AMC rates.

(2) **Category B.** The solicitation/contract addresses the current fuel adjustment procedures.

**D. ROUND-TRIP SERVICES.** The round-trip rate will be applied to trips where passengers and/or cargo are transported on two or more successive revenue flights and the last revenue flight terminates within 250 statute miles of the point of origin of the first revenue flight or, by mutual consent of AMC and the carriers, at a point within 250 statute miles of one of the carrier's principal operating bases.

## APPENDIX A

### E. COMPUTATION OF PASSENGER SEAT-MILES AND CARGO TON-MILES FOR PAY PURPOSES.

Long Range Service: Computation of miles and stop charges shall be computed as follows:

(a) If a live route segment is less than 4,000 miles, mileage shall be computed nonstop from origin to destination of that segment.

(b) When a route segment is 4,000 miles or more the mileage shall be computed via an intermediate point(s) which yields the shortest mileage. The government will pay for a directed operational/tech stop when a route segment exceeds 4,000 miles (for passenger aircraft listed in the "Small Aircraft" category, the non-stop mileage requirement is based on 2,000 miles). Carrier enroute stops related to paid ferry when positioning an aircraft for AMC service do not receive a stop charge since paid ferry is paid on the effective rate versus the linehaul rate.

Examples: KBWI\*CYQX-EDDF-LTAG-EDDF\*CYQX-KBWI-KCHS = 7 Paid Stops<sup>1/</sup>

KBWI\*CYQX-EDDF-LIPA # HECA-OEPS # HECA-LIPA-EDDF\*CYQX-KBWI = 8 Paid Stops<sup>2/</sup>

KWRI+KCOF-TAPA-FHAW-TAPA-KCOF+KWRI= 4 Paid Stops<sup>3/</sup>

<sup>1/</sup> \* This symbol used in the above example indicates operational/tech stops for directed stops where miles exceed 4,000 or 2,000 miles for an aircraft of 150 seat ACL or less.

<sup>2/</sup> # This symbol used in the above example indicates special miles for circumnavigating countries which will not grant over flight clearances—stop charges do not apply.

<sup>3/</sup> + This symbol used in the above example indicates ferry leg for which stop charges do not apply.

(c) If a route segment is in the Pacific, the mileage shall be computed as indicated below:

BETWEEN	PHILIPPINE			PACIFIC ROUTINGS					
	THAILAND A/ ALASKA	ISLANDS		GUAM	KOREA	HAWAII	TAIWAN	OKINAWA	JAPAN
CONUS	4 or 6	4 or 6	5	4 or 8 <b>B/</b>	1	4 or 8 <b>B/</b>	4 or 8 <b>B/</b>	2 or 5 <b>B/</b>	1
ALASKA	3	3	-	3	-	3	3	1 or 3	
JAPAN	1	1	1	1	1 <b>B/</b>	1	1		
OKINAWA	1	1	1	1	3 <b>B/</b>	1			
TAIWAN	1	1	1	1	3 <b>B/</b>				
HAWAII	7	7	1	3 <b>B/</b>					
KOREA	9	1	1						
GUAM	1	1							
PHILIPPINE ISLAND	1								

#### ROUTINGS

- |                         |                                   |                                  |
|-------------------------|-----------------------------------|----------------------------------|
| 1. Direct               | 4. Via Anchorage/Yokota AB, Japan | 7. Via Guam                      |
| 2. Via Anchorage        | 5. Via Honolulu                   | 8. Via Honolulu/Yokota AB, Japan |
| 3. Via Yokota AB, Japan | 6. Via Honolulu - Guam            | 9. Via Taipei                    |
- A/ Certain trips to Thailand require submission of flight plan for circumnavigation.

## APPENDIX A

B/ Honolulu – Yokota AB, Japan either direct or via Midway or Guam as specified in the AMC contract.

### **F. DEFINITIONS.**

"Category A cargo transportation" means the transportation in scheduled service of individually waybilled cargo pursuant to contracts with AMC at the negotiated rate established under the contracts.

"Category B charter transportation" means air transportation in paneload lots of passengers and/or cargo pursuant to contracts with AMC.

"Charter rate" means a commercial price that is in fact available to the general public for equivalent services to be used if a carrier performs a one-way charter flight carrying non-military traffic for a non-military user. The carrier may charter the return flight of that aircraft to AMC at a commercial charter price.

"Consignment" means a number of Category A cargo pallets moving as one shipment, on the same date and assigned a Government/Commercial Bill of Lading (GBL/CBL) Number or listed on a DD Form 250 as one shipment. The minimum charge for any consignment is based on pallet minimum weight guarantees, times the number of pallets in the consignment. If the total weight of cargo on all pallets in the consignment exceeds the average guarantee, make payment for the actual weight.

"Contingency rate" The AMC proposed contingency one-way rates are to be used at the AMC commander's discretion during conditions such as outbreak of war, armed conflict, insurrection, civil or military strife, or similar conditions (overseas). The one-way rates are adjusted to reflect limited backhaul capabilities, based on data collected from operation DESERT STORM. See the FY92 Proposed Uniform Rates, Introduction, pages 4 and 5 for discussion of one-way contingency rate.

"Stop charge" The stop charge is paid by the government in the case of government directed landings (operational/traffic and tech stops) identified by the contract or delivery order to support the AMC mission. Operational/tech stops allowed in accordance with Appendix A, Paragraph F (b) are considered directed stops. Landings made by the contractor of his own discretion for maintenance, aborted flights, fuel stops, crew changes, or emergency landings are not considered "directed landings," and therefore receive no stop charge.

"Pay miles" means the statute miles used to compute the price of the mission in accordance with COINS. COINS calculates distances based on longitude and latitude for geographical locations listed in the DoD Flight Information Publication (FLIP) and identified by location indicators assigned by the International Civil Aviation Organization (ICAO) and published in the Location Indicator, Doc 7910/67.

APPENDIX B

**COMPUTATION  
AMC UNIFORM RATE  
ROUND-TRIP PASSENGER SERVICE  
*LARGE CLASS AIRCRAFT***

CARRIER	AIRCRAFT TYPE	AMC ADJUSTED RATE PER PAX MILE (CENTS)	FY02 PASSENGER REVENUES [000]	FY03 PASSENGER REVENUES [000]	WEIGHTED RATE (CENTS)
American Trans Air	L-1011	10.760	\$144,249	\$194,534	
Omni Air Int'l	DC-10-30	8.227	\$26,575	\$51,748	
World Airways	DC-10-30	8.105	\$99,354	\$50,780	
World Airways	MD-11	8.010	\$163,736	\$148,092	

**RATE -- WEIGHTED BY REVENUES**      9.105

Effective Rate Per Seat Mile (cents)	Average Stage Length	Average Seats Per Mission	Rate Per Directed Landing \$2,000	Linehaul Rate Per Paid Seat Mile (cents)
9.105	2078	314		8.799

Note: The weighted average stage length and weighted average seats are based on international base year data.

APPENDIX B

**COMPUTATION  
AMC UNIFORM RATE  
ROUND-TRIP PASSENGER SERVICE  
*MEDIUM CLASS AIRCRAFT***

CARRIER	AIRCRAFT TYPE	AMC ADJUSTED RATE PER PAX MILE (CENTS)	FY02 PASSENGER REVENUES [000]	FY03 PASSENGER REVENUES [000]	WEIGHTED RATE (CENTS)
American Trans Air	B-757	12.397	\$12,284	\$34,010	
North American Airlines	B-757	9.723	\$45,615	\$16,691	
North American Airlines	B-767	10.291	\$0	\$55,687	

ROUND-TRIP RATE PER SEAT MILE (cents)      10.669

Effective Rate Per Seat Mile (cents)	Average Stage Length	Average Seats Per Mission	Rate Per Directed Landing <b>\$2,000</b>	Linehaul Rate Per Paid Seat Mile (cents) <b>10.203</b>
10.669	2044	210		

Note: The average stage length and average seats  
are based on international base year data.

APPENDIX B

**COMPUTATION  
AMC UNIFORM RATE  
ROUND-TRIP PASSENGER SERVICE  
*SMALL CLASS AIRCRAFT***

CARRIER	AIRCRAFT TYPE	AMC ADJUSTED RATE PER PAX MILE (CENTS)	FY02 PASSENGER REVENUES [000]	FY03 PASSENGER REVENUES [000]	WEIGHTED RATE (CENTS)
Continental Airlines	B-737-800	11.117	\$0	\$6,214	
Miami Air Int'l	B-727-200	13.674	\$9,553	\$3,488	
Miami Air Int'l	B-737-800	13.306	\$10,273	\$11,164	

ROUND-TRIP RATE PER SEAT MILE (cents)      13.090

Effective Rate Per Seat Mile (cents)	Average Stage Length	Average Seats Per Mission	Rate Per Directed Landing	Linehaul Rate Per Paid Seat Mile (cents)
13.090	1143	150	\$2,000	11.923

Note: The average stage length and average seats  
are based on international base year data.

APPENDIX B

**COMPUTATION  
AMC UNIFORM RATE  
ROUND-TRIP CARGO SERVICE  
LARGE CLASS AIRCRAFT**

CARRIER	AIRCRAFT TYPE	AMC ADJUSTED RATE PER TON MILE (CENTS)	FY02 CARGO REVENUES [000]	FY03 CARGO REVENUES [000]	WEIGHTED RATE (CENTS)
Atlas Airlines	B-747	28.350	\$90,409	\$207,905	
Evergreen Int'l Airlines	B-747	25.597	\$274,752	\$220,920	
Fed Express Corp	B-747	32.204	\$17,501	\$8,188	
Fed Express Corp	MD-11	30.504	\$6,475	\$31,935	
Gemini Air Cargo	MD-11	26.906	\$13,212	\$13,934	
Gemini Air Cargo	DC-10	29.253	\$3,778	\$63,913	
Northwest Airlines	B-747	26.104	\$4,180	\$0	
Polar Air Cargo	B-747	29.778	\$141,817	\$129,831	
United Parcel Service	B-747	28.752	\$2,585	\$9,107	
World Airways	DC-10	31.680	\$8,615	\$26,398	
<b>RATE -- WEIGHTED BY REVENUES</b>					<b>27.832</b>

Effective Rate Per Ton Mile (cents)	Average Stage Length	Average Tons Per Mission	Rate Per Directed Landing	Linehaul Rate Per Paid Ton Mile (cents)
27.832	2489	88.9	<b>\$2,000</b>	<b>26.928</b>

Note: The weighted average stage length and weighted average tons are based on international base year data.



# APPENDIX B

## **COMPUTATION AMC UNIFORM RATE ROUND-TRIP CARGO SERVICE *MEDIUM CLASS AIRCRAFT***

CARRIER	AIRCRAFT TYPE	AMC ADJUSTED RATE PER TON MILE (CENTS)	FY02 CARGO REVENUES [000]	FY03 CARGO REVENUES [000]	WEIGHTED RATE (CENTS)
Air Transport Int'l	DC-8	37.106	\$9,171	\$4,259	
Arrow Air	DC-8-62	30.756	\$30,391	\$20,697	
Arrow Air	DC-8-63	33.136	\$12,075	\$2,630	
RATE -- WEIGHTED BY REVENUES					32.274

Effective Rate Per Ton Mile (cents)	Average Stage Length	Average Tons Per Mission	Rate Per Directed Landing \$2,000	Linehaul Rate Per Paid Ton Mile (cents)
32.274	2311	41.4		30.184

Note: The weighted average stage length and weighted average tons are based on international base year data.

APPENDIX C

**AMERICAN TRANS AIR  
LARGE CLASS AIRCRAFT  
FY04 RATE REVIEW**

Aircraft Type L-1011

Passenger Service

	FORECAST YEAR FY04	
	AMC PROPOSED	FINAL ADJUSTED
TOTAL REVENUE & BACKHAUL/PAID MILES (000)	5,626	5,626
AVERAGE DAILY AIRCRAFT UTILIZATION	8.6	8.6
<b><u>COST PER REVENUE/PAID AIRCRAFT MILE</u></b>		
Direct Variable:		
Crew	\$4.9312	\$4.9312
Fuel, Oil, & Aircraft Supplies	4.8579	4.8579
Flight Equipment Maintenance	<u>2.2428</u>	<u>2.2428</u>
Total Direct Variable	<u>12.0319</u>	<u>12.0319</u>
Direct Fixed:		
Hull, Public Liability, & Property Damage Insurance	0.0499 F	0.0694
Aircraft Rentals & Miscellaneous	0.4671 G	0.6495
Flight Equipment Depreciation & Obsolescence	2.1054 H	3.2070
Amortization of Preoperating Expense	<u>0.0000</u>	<u>0.0000</u>
Total Direct Fixed	<u>2.6224</u>	<u>3.9259</u>
Indirect:		
Maintenance & Depreciation-General Ground Property	0.4043 J	0.5367
Aircraft & Traffic Servicing	3.6749 K	3.6747
Passenger Service	6.8428	6.8428
General & Administrative	<u>1.8276</u>	<u>1.8433</u>
Total Indirect	<u>12.7496</u>	<u>12.8975</u>
<b>TOTAL OPERATING COST</b>	<b><u>27.4039</u></b>	<b><u>28.8553</u></b>
Return on Investment	2.7404	2.8855 *
<b>TOTAL COST</b>	<b><u>\$30.1443</u></b>	<b><u>\$31.7408</u></b>
Average Investment for FY04		
Working Capital	1.8436	1.9324
Owned Flight Equipment (net)	12.4025 P	17.2464
Long Term/Capital Leased Flight Equipment (net)	0.0000	0.0000
Ground Property & Equipment (net)	0.3299 R	0.4840
Deferred Preoperating Expense/Other	0.0000	0.0000
Annual Operating Lease Expense	0.2747 T	0.3819
Allowable Cabin Load	295	295
<b>RATE PER SEAT MILE</b>	<b>\$0.10218</b>	<b><u>\$0.10760</u></b>

\* Allows minimum return at 10 percent of operating cost.

APPENDIX C

**OMNI AIR INTERNATIONAL  
LARGE CLASS AIRCRAFT  
FY04 RATE REVIEW**

Aircraft Type DC-10-30

Passenger Service

	FORECAST YEAR FY04	
	AMC	FINAL
	PROPOSED	ADJUSTED
TOTAL REVENUE & BACKHAUL/PAID MILES (000)	983	983
AVERAGE DAILY AIRCRAFT UTILIZATION	5.5	5.5
<b><u>COST PER REVENUE/PAID AIRCRAFT MILE</u></b>		
Direct Variable:		
Crew	\$3.1650	\$3.1650
Fuel, Oil, & Aircraft Supplies	5.2116	5.2116
Flight Equipment Maintenance	<u>6.8518</u>	<u>6.8518</u>
Total Direct Variable	<u>15.2284</u>	<u>15.2284</u>
Direct Fixed:		
Hull, Public Liability, & Property Damage Insurance	0.5666	0.5666
Aircraft Rentals & Miscellaneous	3.2195	3.2195
Flight Equipment Depreciation & Obsolescence	0.0701	0.0701
Amortization of Preoperating Expense	<u>0.0000</u>	<u>0.0000</u>
Total Direct Fixed	<u>3.8562</u>	<u>3.8562</u>
Indirect:		
Maintenance & Depreciation-General Ground Property	0.0640	0.0640
Aircraft & Traffic Servicing	0.6582	0.6582
Passenger Service	3.3322	3.3322
General & Administrative	<u>1.5413</u>	<u>1.5413</u>
Total Indirect	<u>5.5957</u>	<u>5.5957</u>
<b>TOTAL OPERATING COST</b>	<u>24.6803</u>	<u>24.6803</u>
Return on Investment	2.4680	2.4680 *
<b>TOTAL COST</b>	<u>\$27.1483</u>	<u>\$27.1483</u>
Average Investment for FY04		
Working Capital	1.5467	1.5467
Owned Flight Equipment (net)	0.2650	0.2650
Long Term/Capital Leased Flight Equipment (net)	0.0000	0.0000
Ground Property & Equipment (net)	0.3132	0.3132
Deferred Preoperating Expense/Other	0.0000	0.0000
Annual Operating Lease Expense	3.1667	3.1667
Allowable Cabin Load	330	330
<b>RATE PER SEAT MILE</b>	\$0.08227	<u>\$0.08227</u>

\* Allows minimum return at 10 percent of operating cost.

APPENDIX C

**WORLD AIRWAYS INC  
LARGE CLASS AIRCRAFT  
FY04 RATE REVIEW**

Aircraft Type DC-10-30

Passenger Service

	FORECAST YEAR FY04	
	AMC PROPOSED	FINAL ADJUSTED
TOTAL REVENUE & BACKHAUL/PAID MILES (000)	2,233	2,233
AVERAGE DAILY AIRCRAFT UTILIZATION	6.6	6.6
<b><u>COST PER REVENUE/PAID AIRCRAFT MILE</u></b>		
Direct Variable:		
Crew	\$3.2732	\$3.2732
Fuel, Oil, & Aircraft Supplies	5.2008	5.2008
Flight Equipment Maintenance	<u>5.9648</u>	<u>5.9648</u>
Total Direct Variable	<u>14.4388</u>	<u>14.4388</u>
Direct Fixed:		
Hull, Public Liability, & Property Damage Insurance	0.1008	0.1008
Aircraft Rentals & Miscellaneous	1.2623	1.2623
Flight Equipment Depreciation & Obsolescence	0.1623	0.1623
Amortization of Preoperating Expense	<u>0.0000</u>	<u>0.0000</u>
Total Direct Fixed	<u>1.5254</u>	<u>1.5254</u>
Indirect:		
Maintenance & Depreciation-General Ground Property	0.1310	0.1310
Aircraft & Traffic Servicing	2.2599	2.2599
Passenger Service	4.8798	4.8798
General & Administrative	<u>1.0788</u>	<u>1.0788</u>
Total Indirect	<u>8.3495</u>	<u>8.3495</u>
<b>TOTAL OPERATING COST</b>	<b><u>24.3137</u></b>	<b><u>24.3137</u></b>
Return on Investment	2.4314	2.4314 *
<b>TOTAL COST</b>	<b><u>\$26.7451</u></b>	<b><u>\$26.7451</u></b>
Average Investment for FY04		
Working Capital	1.5140	1.5140
Owned Flight Equipment (net)	1.7032	1.7032
Long Term/Capital Leased Flight Equipment (net)	0.0000	0.0000
Ground Property & Equipment (net)	0.1248	0.1248
Deferred Preoperating Expense/Other	0.0000	0.0000
Annual Operating Lease Expense	1.0972	1.0972
Allowable Cabin Load	330	330
<b>RATE PER SEAT MILE</b>	<b>\$0.08105</b>	<b><u>\$0.08105</u></b>

\* Allows minimum return at 10 percent of operating cost.

APPENDIX C

**WORLD AIRWAYS INC  
LARGE CLASS AIRCRAFT  
FY04 RATE REVIEW**

Aircraft Type MD-11

Passenger Service

	FORECAST YEAR FY04	
	AMC	FINAL
	PROPOSED	ADJUSTED
TOTAL REVENUE & BACKHAUL/PAID MILES (000)	6,046	6,046
AVERAGE DAILY AIRCRAFT UTILIZATION	8.0	8.0
<b><u>COST PER REVENUE/PAID AIRCRAFT MILE</u></b>		
Direct Variable:		
Crew	\$3.1654	\$3.1654
Fuel, Oil, & Aircraft Supplies	4.8042	4.8042
Flight Equipment Maintenance	<u>3.3372</u>	<u>3.3372</u>
Total Direct Variable	<u>11.3068</u>	<u>11.3068</u>
Direct Fixed:		
Hull, Public Liability, & Property Damage Insurance	0.3299	0.3299
Aircraft Rentals & Miscellaneous	5.4658	5.4658
Flight Equipment Depreciation & Obsolescence	0.2250	0.2250
Amortization of Preoperating Expense	<u>0.0000</u>	<u>0.0000</u>
Total Direct Fixed	<u>6.0207</u>	<u>6.0207</u>
Indirect:		
Maintenance & Depreciation-General Ground Property	0.1171	0.1171
Aircraft & Traffic Servicing	2.0208	2.0208
Passenger Service	5.5883	5.5883
General & Administrative	<u>1.1619</u>	<u>1.1619</u>
Total Indirect	<u>8.8881</u>	<u>8.8881</u>
<b>TOTAL OPERATING COST</b>	<u>26.2156</u>	<u>26.2156</u>
Return on Investment	2.6216	2.6216 *
<b>TOTAL COST</b>	<u>\$28.8372</u>	<u>\$28.8372</u>
Average Investment for FY04		
Working Capital	1.6306	1.6306
Owned Flight Equipment (net)	2.1056	2.1056
Long Term/Capital Leased Flight Equipment (net)	10.5903	10.5903
Ground Property & Equipment (net)	0.1116	0.1116
Deferred Preoperating Expense/Other	0.0000	0.0000
Annual Operating Lease Expense	3.5282	3.5282
Allowable Cabin Load	360	360
<b>RATE PER SEAT MILE</b>	\$0.08010	<u>\$0.08010</u>

\* Allows minimum return at 10 percent of operating cost.

APPENDIX D

**AMERICAN TRANS AIR  
MEDIUM CLASS AIRCRAFT  
FY04 RATE REVIEW**

Aircraft Type B-757

Passenger Service

	FORECAST YEAR FY04	
	AMC	FINAL
	PROPOSED	ADJUSTED
TOTAL REVENUE & BACKHAUL/PAID MILES (000)	473	473
AVERAGE DAILY AIRCRAFT UTILIZATION	10.4	10.4
<b><u>COST PER REVENUE/PAID AIRCRAFT MILE</u></b>		
Direct Variable:		
Crew	\$4.2536	\$4.2536
Fuel, Oil, & Aircraft Supplies	2.2579	2.2579
Flight Equipment Maintenance	<u>2.5095</u>	<u>2.5095</u>
Total Direct Variable	<u>9.0210</u>	<u>9.0210</u>
Direct Fixed:		
Hull, Public Liability, & Property Damage Insurance	0.0733	0.0733
Aircraft Rentals & Miscellaneous	2.5785	2.5785
Flight Equipment Depreciation & Obsolescence	0.1727	H 0.1817
Amortization of Preoperating Expense	<u>0.0000</u>	<u>0.0000</u>
Total Direct Fixed	<u>2.8245</u>	<u>2.8335</u>
Indirect:		
Maintenance & Depreciation-General Ground Property	0.2160	J 0.2858
Aircraft & Traffic Servicing	1.9428	K 1.9405
Passenger Service	5.8057	L 5.8031
General & Administrative	<u>1.5293</u>	<u>1.5289</u>
Total Indirect	<u>9.4938</u>	<u>9.5583</u>
<b>TOTAL OPERATING COST</b>	<b><u>21.3393</u></b>	<b><u>21.4128</u></b>
Return on Investment	2.1339	2.1413 *
<b>TOTAL COST</b>	<b><u>\$23.4732</u></b>	<b><u>\$23.5541</u></b>
Average Investment for FY04		
Working Capital	1.3440	1.3442
Owned Flight Equipment (net)	0.9709	0.9709
Long Term/Capital Leased Flight Equipment (net)	0.0000	0.0000
Ground Property & Equipment (net)	0.1818	R 0.2622
Deferred Preoperating Expense/Other	0.0000	0.0000
Annual Operating Lease Expense	2.4451	2.4451
Allowable Cabin Load	190	190
<b>RATE PER SEAT MILE</b>	<b>\$0.12354</b>	<b><u>\$0.12397</u></b>

\* Allows minimum return at 10 percent of operating cost.

APPENDIX D

**NORTH AMERICAN AIRLINES  
MEDIUM CLASS AIRCRAFT  
FY04 RATE REVIEW**

Aircraft Type B-757

Passenger Service

	FORECAST YEAR FY04	
	AMC PROPOSED	FINAL ADJUSTED
TOTAL REVENUE & BACKHAUL/PAID MILES (000)	1,867	1,867
AVERAGE DAILY AIRCRAFT UTILIZATION	8.0	8.0
<b><u>COST PER REVENUE/PAID AIRCRAFT MILE</u></b>		
Direct Variable:		
Crew	\$2.2686	\$2.2686
Fuel, Oil, & Aircraft Supplies	2.2827	2.2827
Flight Equipment Maintenance	<u>2.2736</u>	E <u>2.6233</u>
Total Direct Variable	<u>6.8250</u>	<u>7.1746</u>
Direct Fixed:		
Hull, Public Liability, & Property Damage Insurance	0.4596	F 0.5564
Aircraft Rentals & Miscellaneous	3.5998	G 2.5360
Flight Equipment Depreciation & Obsolescence	0.0000	0.0000
Amortization of Preoperating Expense	<u>0.0000</u>	<u>0.0000</u>
Total Direct Fixed	<u>4.0595</u>	<u>3.0924</u>
Indirect:		
Maintenance & Depreciation-General Ground Property	0.1055	J 0.1079
Aircraft & Traffic Servicing	1.9917	K 2.1369
Passenger Service	2.2732	2.2732
General & Administrative	<u>1.7644</u>	<u>2.0097</u>
Total Indirect	<u>6.1348</u>	<u>6.5277</u>
<b>TOTAL OPERATING COST</b>	<b><u>17.0193</u></b>	<b><u>16.7947</u></b>
Return on Investment	1.7019	1.6795 *
<b>TOTAL COST</b>	<b><u>\$18.7212</u></b>	<b><u>\$18.4741</u></b>
Average Investment for FY04		
Working Capital	1.0717	1.0576
Owned Flight Equipment (net)	0.0000	0.0000
Long Term/Capital Leased Flight Equipment (net)	0.0000	0.0000
Ground Property & Equipment (net)	0.1015	R 0.1038
Deferred Preoperating Expense/Other	0.0000	0.0000
Annual Operating Lease Expense	3.5998	T 2.5360
Allowable Cabin Load	190	190
<b>RATE PER SEAT MILE</b>	<b>\$0.09853</b>	<b><u>\$0.09723</u></b>

\* Allows minimum return at 10 percent of operating cost.

APPENDIX D

**NORTH AMERICAN AIRLINES  
MEDIUM CLASS AIRCRAFT  
FY04 RATE REVIEW**

Aircraft Type B-767

Passenger Service

	FORECAST YEAR FY04	
	AMC PROPOSED	FINAL ADJUSTED
TOTAL REVENUE & BACKHAUL/PAID MILES (000)	808	A 955
AVERAGE DAILY AIRCRAFT UTILIZATION	8.7	8.7
<b><u>COST PER REVENUE/PAID AIRCRAFT MILE</u></b>		
Direct Variable:		
Crew	\$3.0624	C \$3.0855
Fuel, Oil, & Aircraft Supplies	3.3069	3.3069
Flight Equipment Maintenance	<u>3.2599</u>	E <u>3.5401</u>
Total Direct Variable	<u>9.6293</u>	<u>9.9325</u>
Direct Fixed:		
Hull, Public Liability, & Property Damage Insurance	0.5789	F 0.5557
Aircraft Rentals & Miscellaneous	3.5974	G 3.0744
Flight Equipment Depreciation & Obsolescence	0.0316	H 0.0279
Amortization of Preoperating Expense	<u>0.0000</u>	<u>0.0000</u>
Total Direct Fixed	<u>4.2079</u>	<u>3.6580</u>
Indirect:		
Maintenance & Depreciation-General Ground Property	0.1055	0.1055
Aircraft & Traffic Servicing	3.2021	3.2021
Passenger Service	2.2732	L 2.8714
General & Administrative	<u>2.3263</u>	<u>2.6838</u>
Total Indirect	<u>7.9071</u>	<u>8.8628</u>
<b>TOTAL OPERATING COST</b>	<b><u>21.7443</u></b>	<b><u>22.4533</u></b>
Return on Investment	2.1744	2.2453 *
<b>TOTAL COST</b>	<b><u>\$23.9187</u></b>	<b><u>\$24.6986</u></b>
Average Investment for FY04		
Working Capital	1.3674	1.4123
Owned Flight Equipment (net)	0.0000	0.0000
Long Term/Capital Leased Flight Equipment (net)	0.0000	0.0000
Ground Property & Equipment (net)	0.1015	0.1015
Deferred Preoperating Expense/Other	0.0000	0.0000
Annual Operating Lease Expense	3.5974	T 3.0744
Allowable Cabin Load	240	240
<b>RATE PER SEAT MILE</b>	<b>\$0.09966</b>	<b><u>\$0.10291</u></b>

\* Allows minimum return at 10 percent of operating cost.



# APPENDIX E

## CONTINENTAL AIRLINES SMALL CLASS AIRCRAFT FY04 RATE REVIEW

Aircraft Type B-737

Passenger Service

	FORECAST YEAR FY04	
	AMC	FINAL
	PROPOSED	ADJUSTED
TOTAL REVENUE & BACKHAUL/PAID MILES (000)	19,501	19,501
AVERAGE DAILY AIRCRAFT UTILIZATION	7.0	7.0
<b><u>COST PER REVENUE/PAID AIRCRAFT MILE</u></b>		
Direct Variable:		
Crew	\$1.3679	C \$1.4136
Fuel, Oil, & Aircraft Supplies	2.3353	D 2.3355
Flight Equipment Maintenance	<u>0.4000</u>	E <u>1.3245</u>
Total Direct Variable	<u>4.1032</u>	<u>5.0736</u>
Direct Fixed:		
Hull, Public Liability, & Property Damage Insurance	0.0457	F 0.0797
Aircraft Rentals & Miscellaneous	0.9851	G 1.7928
Flight Equipment Depreciation & Obsolescence	0.9394	H 0.3663
Amortization of Preoperating Expense	<u>0.0000</u>	<u>0.0000</u>
Total Direct Fixed	<u>1.9702</u>	<u>2.2388</u>
Indirect:		
Maintenance & Depreciation-General Ground Property	0.0477	0.0477
Aircraft & Traffic Servicing	3.0574	K 2.5523
Passenger Service	1.5512	L 2.0060
General & Administrative	<u>1.1078</u>	M <u>1.6348</u>
Total Indirect	<u>5.7641</u>	<u>6.2408</u>
<b>TOTAL OPERATING COST</b>	<b><u>11.8375</u></b>	<b><u>13.5532</u></b>
Return on Investment	1.3059	3.1227
<b>TOTAL COST</b>	<b><u>\$13.1434</u></b>	<b><u>\$16.6759</u></b>
Average Investment for FY04		
Working Capital	0.6836	0.8278
Owned Flight Equipment (net)	9.7734	P 3.7650
Long Term/Capital Leased Flight Equipment (net)	0.7541	Q 23.2082
Ground Property & Equipment (net)	0.4592	R 0.2805
Deferred Preoperating Expense/Other	0.0000	0.0000
Annual Operating Lease Expense	0.0000	0.0000
Allowable Cabin Load	150	150
<b>RATE PER SEAT MILE</b>	<b>\$0.08762</b>	<b><u>\$0.11117</u></b>

APPENDIX E

**MIAMI AIR INTERNATIONAL  
SMALL CLASS AIRCRAFT  
FY04 RATE REVIEW**

Aircraft Type B-727-200

Passenger Service

	FORECAST YEAR FY04	
	AMC	FINAL
	PROPOSED	ADJUSTED
TOTAL REVENUE & BACKHAUL/PAID MILES (000)	270	270
AVERAGE DAILY AIRCRAFT UTILIZATION	5.0	5.0
<b><u>COST PER REVENUE/PAID AIRCRAFT MILE</u></b>		
Direct Variable:		
Crew	\$2.6695	\$2.6695
Fuel, Oil, & Aircraft Supplies	2.7916	2.7916
Flight Equipment Maintenance	<u>4.0791</u>	<u>4.0791</u>
Total Direct Variable	<u>9.5402</u>	<u>9.5402</u>
Direct Fixed:		
Hull, Public Liability, & Property Damage Insurance	0.7297	0.7297
Aircraft Rentals & Miscellaneous	0.6856	0.6856
Flight Equipment Depreciation & Obsolescence	2.3688	2.3688
Amortization of Preoperating Expense	<u>0.0000</u>	<u>0.0000</u>
Total Direct Fixed	<u>3.7841</u>	<u>3.7841</u>
Indirect:		
Maintenance & Depreciation-General Ground Property	0.2115	0.2115
Aircraft & Traffic Servicing	2.6300	2.6300
Passenger Service	1.6971	1.6971
General & Administrative	<u>0.7840</u>	<u>0.7840</u>
Total Indirect	<u>5.3226</u>	<u>5.3226</u>
<b>TOTAL OPERATING COST</b>	<b><u>18.6469</u></b>	<b><u>18.6469</u></b>
Return on Investment	1.8647	1.8647 *
<b>TOTAL COST</b>	<b><u>\$20.5116</u></b>	<b><u>\$20.5116</u></b>
Average Investment for FY04		
Working Capital	1.1142	1.1142
Owned Flight Equipment (net)	2.2862	2.2862
Long Term/Capital Leased Flight Equipment (net)	0.0000	0.0000
Ground Property & Equipment (net)	0.3350	0.3350
Deferred Preoperating Expense/Other	0.0000	0.0000
Annual Operating Lease Expense	0.0000	0.0000
Allowable Cabin Load	150	150
<b>RATE PER SEAT MILE</b>	<b>\$0.13674</b>	<b><u>\$0.13674</u></b>

\* Allows minimum return at 10 percent of operating cost.

# APPENDIX E

## MIAMI AIR INTERNATIONAL SMALL CLASS AIRCRAFT FY04 RATE REVIEW

Aircraft Type B-737-800

Passenger Service

	FORECAST YEAR FY04	
	AMC	FINAL
	PROPOSED	ADJUSTED
TOTAL REVENUE & BACKHAUL/PAID MILES (000)	547	547
AVERAGE DAILY AIRCRAFT UTILIZATION	5.4	5.4
<b><u>COST PER REVENUE/PAID AIRCRAFT MILE</u></b>		
Direct Variable:		
Crew	\$2.3945	\$2.3945
Fuel, Oil, & Aircraft Supplies	1.6607	1.6607
Flight Equipment Maintenance	<u>2.0105</u>	<u>2.0105</u>
Total Direct Variable	<u>6.0657</u>	<u>6.0657</u>
Direct Fixed:		
Hull, Public Liability, & Property Damage Insurance	1.9050	1.9050
Aircraft Rentals & Miscellaneous	5.7211	5.7211
Flight Equipment Depreciation & Obsolescence	0.1730	0.1730
Amortization of Preoperating Expense	<u>0.0000</u>	<u>0.0000</u>
Total Direct Fixed	<u>7.7991</u>	<u>7.7991</u>
Indirect:		
Maintenance & Depreciation-General Ground Property	0.0973	0.0973
Aircraft & Traffic Servicing	1.8179	1.8179
Passenger Service	1.4918	1.4918
General & Administrative	<u>0.8722</u>	<u>0.8722</u>
Total Indirect	<u>4.2792</u>	<u>4.2792</u>
<b>TOTAL OPERATING COST</b>	<b><u>18.1440</u></b>	<b><u>18.1440</u></b>
Return on Investment	1.8144	1.8144 *
<b>TOTAL COST</b>	<b><u>\$19.9584</u></b>	<b><u>\$19.9584</u></b>
Average Investment for FY04		
Working Capital	1.1263	1.1263
Owned Flight Equipment (net)	0.6287	0.6287
Long Term/Capital Leased Flight Equipment (net)	0.0000	0.0000
Ground Property & Equipment (net)	0.1542	0.1542
Deferred Preoperating Expense/Other	0.0000	0.0000
Annual Operating Lease Expense	5.5894	5.5894
Allowable Cabin Load	150	150
<b>RATE PER SEAT MILE</b>	<b>\$0.13306</b>	<b><u>\$0.13306</u></b>

\* Allows minimum return at 10 percent of operating cost.

**ATLAS AIRLINES  
LARGE CLASS AIRCRAFT  
FY04 RATE REVIEW**

Aircraft Type B-747

Cargo Service

	FORECAST YEAR FY04		
	AMC		FINAL
	<u>PROPOSED</u>		<u>ADJUSTED</u>
TOTAL REVENUE & BACKHAUL/PAID MILES (000)	2,362		2,362
AVERAGE DAILY AIRCRAFT UTILIZATION	7.5	B	6.9
<b><u>COST PER REVENUE/PAID AIRCRAFT MILE</u></b>			
Direct Variable:			
Crew	\$2.2968		\$2.2968
Fuel, Oil, & Aircraft Supplies	7.6094		7.6094
Flight Equipment Maintenance	<u>3.6843</u>		<u>3.6843</u>
Total Direct Variable	<u>13.5905</u>		<u>13.5905</u>
Direct Fixed:			
Hull, Public Liability, & Property Damage Insurance	0.2502	F	0.1680
Aircraft Rentals & Miscellaneous	3.6478	G	3.0479
Flight Equipment Depreciation & Obsolescence	1.6044	H	1.9612
Amortization of Preoperating Expense	<u>0.0000</u>		<u>0.0000</u>
Total Direct Fixed	<u>5.5024</u>		<u>5.1771</u>
Indirect:			
Maintenance & Depreciation-General Ground Property	0.0417	J	0.0481
Aircraft & Traffic Servicing	1.7580	K	1.6747
General & Administrative	<u>1.8284</u>		<u>1.7557</u>
Total Indirect	<u>3.6281</u>		<u>3.4785</u>
<b>TOTAL OPERATING COST</b>	<u>22.7210</u>		<u>22.2461</u>
Return on Investment	2.7955		3.2690
<b>TOTAL COST</b>	<u>\$25.5164</u>		<u>\$25.5150</u>
Average Investment for FY04			
Working Capital	0.1486		0.1427
Owned Flight Equipment (net)	2.4035	P	2.9038
Long Term/Capital Leased Flight Equipment (net)	0.0000		0.0000
Ground Property & Equipment (net)	0.0608	R	0.0701
Deferred Preoperating Expense/Other	0.0000		0.0000
Annual Operating Lease Expense	3.6478	T	3.0479
Allowable Cabin Load	90		90
<b>RATE PER TON MILE</b>	\$0.28352		<u>\$0.28350</u>

**EVERGREEN INTERNATIONAL AIRLINES**  
**LARGE CLASS AIRCRAFT**  
**FY04 RATE REVIEW**

Aircraft Type B-747

Cargo Service

	FORECAST YEAR FY04	
	AMC	FINAL
	PROPOSED	ADJUSTED
TOTAL REVENUE & BACKHAUL/PAID MILES (000)	7,948	7,948
AVERAGE DAILY AIRCRAFT UTILIZATION	9.1	9.1
<b><u>COST PER REVENUE/PAID AIRCRAFT MILE</u></b>		
Direct Variable:		
Crew	\$2.8337	C \$2.8344
Fuel, Oil, & Aircraft Supplies	7.5113	7.5113
Flight Equipment Maintenance	<u>3.8220</u>	E <u>3.8688</u>
Total Direct Variable	<u>14.1670</u>	<u>14.2145</u>
Direct Fixed:		
Hull, Public Liability, & Property Damage Insurance	0.3973	0.3973
Aircraft Rentals & Miscellaneous	0.3787	0.3787
Flight Equipment Depreciation & Obsolescence	2.5761	2.5761
Amortization of Preoperating Expense	<u>0.0000</u>	<u>0.0000</u>
Total Direct Fixed	<u>3.3521</u>	<u>3.3521</u>
Indirect:		
Maintenance & Depreciation-General Ground Property	0.2001	0.2001
Aircraft & Traffic Servicing	1.4570	K 2.4907
General & Administrative	<u>0.6433</u>	<u>0.6852</u>
Total Indirect	<u>2.3004</u>	<u>3.3760</u>
<b>TOTAL OPERATING COST</b>	<u>19.8195</u>	<u>20.9426</u>
Return on Investment	1.9819	2.0943 *
<b>TOTAL COST</b>	<u>\$21.8014</u>	<u>\$23.0369</u>
Average Investment for FY04		
Working Capital	1.2473	1.3180
Owned Flight Equipment (net)	14.6030	14.6030
Long Term/Capital Leased Flight Equipment (net)	0.0000	0.0000
Ground Property & Equipment (net)	0.1195	0.1195
Deferred Preoperating Expense/Other	0.0000	0.0000
Annual Operating Lease Expense	0.3781	0.3781
Allowable Cabin Load	90	90
<b>RATE PER TON MILE</b>	\$0.24224	<u>\$0.25597</u>

\* Allows minimum return at 10 percent of operating cost.

APPENDIX F

**FEDERAL EXPRESS CORPORATION  
LARGE CLASS AIRCRAFT  
FY04 RATE REVIEW**

Aircraft Type B-747

Cargo Service

	FORECAST YEAR FY04	
	AMC	FINAL
	<u>PROPOSED</u>	<u>ADJUSTED</u>
TOTAL REVENUE & BACKHAUL/PAID MILES (000)	471	471
AVERAGE DAILY AIRCRAFT UTILIZATION	8.3	8.3
<b><u>COST PER REVENUE/PAID AIRCRAFT MILE</u></b>		
Direct Variable:		
Crew	\$2.2162	\$2.2162
Fuel, Oil, & Aircraft Supplies	8.2510	8.2510
Flight Equipment Maintenance	<u>3.9265</u>	<u>3.9265</u>
Total Direct Variable	<u>14.3937</u>	<u>14.3937</u>
Direct Fixed:		
Hull, Public Liability, & Property Damage Insurance	0.2654	0.2654
Aircraft Rentals & Miscellaneous	6.7394	6.7394
Flight Equipment Depreciation & Obsolescence	0.0000	0.0000
Amortization of Preoperating Expense	0.0000	0.0000
Total Direct Fixed	<u>7.0048</u>	<u>7.0048</u>
Indirect:		
Maintenance & Depreciation-General Ground Property	0.2734	0.2734
Aircraft & Traffic Servicing	1.4023	K 1.6211
General & Administrative	<u>3.0271</u>	<u>3.0560</u>
Total Indirect	<u>4.7028</u>	<u>4.9505</u>
<b>TOTAL OPERATING COST</b>	<u>26.1013</u>	<u>26.3490</u>
Return on Investment	2.6101	2.6349 *
<b>TOTAL COST</b>	<u>\$28.7114</u>	<u>\$28.9839</u>
Average Investment for FY04		
Working Capital	1.6300	1.6456
Owned Flight Equipment (net)	0.0000	0.0000
Long Term/Capital Leased Flight Equipment (net)	0.0000	0.0000
Ground Property & Equipment (net)	2.0055	2.0055
Deferred Preoperating Expense/Other	0.0000	0.0000
Annual Operating Lease Expense	0.0000	0.0000
Allowable Cabin Load	90	90
<b>RATE PER TON MILE</b>	\$0.31902	<u>\$0.32204</u>

\* Allows minimum return at 10 percent of operating cost.

**FEDERAL EXPRESS CORPORATION  
LARGE CLASS AIRCRAFT  
FY04 RATE REVIEW**

Aircraft Type MD-11

Cargo Service

	FORECAST YEAR FY04	
	AMC	FINAL
	<u>PROPOSED</u>	<u>ADJUSTED</u>
TOTAL REVENUE & BACKHAUL/PAID MILES (000)	195	195
AVERAGE DAILY AIRCRAFT UTILIZATION	9.7	9.7
<b><u>COST PER REVENUE/PAID AIRCRAFT MILE</u></b>		
Direct Variable:		
Crew	\$3.3339	\$3.3339
Fuel, Oil, & Aircraft Supplies	5.0716	5.0716
Flight Equipment Maintenance	<u>5.1923</u>	<u>5.1923</u>
Total Direct Variable	<u>13.5978</u>	<u>13.5978</u>
Direct Fixed:		
Hull, Public Liability, & Property Damage Insurance	0.1543	0.1543
Aircraft Rentals & Miscellaneous	3.7619	3.7619
Flight Equipment Depreciation & Obsolescence	0.9071	0.9071
Amortization of Preoperating Expense	<u>0.0000</u>	<u>0.0000</u>
Total Direct Fixed	<u>4.8233</u>	<u>4.8233</u>
Indirect:		
Maintenance & Depreciation-General Ground Property	0.1069	0.1069
Aircraft & Traffic Servicing	1.2525	1.2525
General & Administrative	<u>2.4891</u>	<u>2.4891</u>
Total Indirect	<u>3.8485</u>	<u>3.8485</u>
<b>TOTAL OPERATING COST</b>	<u>22.2696</u>	<u>22.2696</u>
Return on Investment	3.9889	3.9640
<b>TOTAL COST</b>	<u>\$26.2585</u>	<u>\$26.2336</u>
Average Investment for FY04		
Working Capital	1.3403	1.3403
Owned Flight Equipment (net)	12.9079	12.9079
Long Term/Capital Leased Flight Equipment (net)	20.6268	20.6268
Ground Property & Equipment (net)	0.7721	0.7721
Deferred Preoperating Expense/Other	0.0000	0.0000
Annual Operating Lease Expense	3.1139	3.1139
Allowable Cabin Load	86	86
<b>RATE PER TON MILE</b>	\$0.30533	<u>\$0.30504</u>

# APPENDIX F

## GEMINI AIR CARGO LARGE CLASS AIRCRAFT FY04 RATE REVIEW

Aircraft Type MD-11

Cargo Service

	FORECAST YEAR FY04	
	AMC	FINAL
	<u>PROPOSED</u>	<u>ADJUSTED</u>
TOTAL REVENUE & BACKHAUL/PAID MILES (000)	568	568
AVERAGE DAILY AIRCRAFT UTILIZATION	6.9	6.9
<b><u>COST PER REVENUE/PAID AIRCRAFT MILE</u></b>		
Direct Variable:		
Crew	\$1.9773	\$1.9773
Fuel, Oil, & Aircraft Supplies	4.9330 D	4.9379
Flight Equipment Maintenance	3.6831 E	3.7922
Total Direct Variable	<u>10.5934</u>	<u>10.7074</u>
Direct Fixed:		
Hull, Public Liability, & Property Damage Insurance	0.4514 F	0.4532
Aircraft Rentals & Miscellaneous	5.9502 G	5.9750
Flight Equipment Depreciation & Obsolescence	0.0975 H	0.0979
Amortization of Preoperating Expense	<u>0.0000</u>	<u>0.0000</u>
Total Direct Fixed	<u>6.4991</u>	<u>6.5261</u>
Indirect:		
Maintenance & Depreciation-General Ground Property	0.0264 J	0.0267
Aircraft & Traffic Servicing	2.9959 K	2.9173
General & Administrative	<u>0.8556</u>	<u>0.8583</u>
Total Indirect	<u>3.8779</u>	<u>3.8023</u>
<b>TOTAL OPERATING COST</b>	<u>20.9704</u>	<u>21.0358</u>
Return on Investment	2.0970	2.1036 *
<b>TOTAL COST</b>	<u>\$23.0674</u>	<u>\$23.1394</u>
Average Investment for FY04		
Working Capital	1.3136	1.3177
Owned Flight Equipment (net)	0.9194 P	0.8187
Long Term/Capital Leased Flight Equipment (net)	0.0000	0.0000
Ground Property & Equipment (net)	0.0552	0.0552
Deferred Preoperating Expense/Other	0.0000	0.0000
Annual Operating Lease Expense	5.9502 T	5.9750
Allowable Cabin Load	86	86
<b>RATE PER TON MILE</b>	\$0.26823	<u>\$0.26906</u>

\* Allows minimum return at 10 percent of operating cost.



APPENDIX F

**GEMINI AIR CARGO  
LARGE CLASS AIRCRAFT  
FY04 RATE REVIEW**

Aircraft Type DC-10-30

Cargo Service

	FORECAST YEAR FY04	
	AMC	FINAL
	<u>PROPOSED</u>	<u>ADJUSTED</u>
TOTAL REVENUE & BACKHAUL/PAID MILES (000)	210	210
AVERAGE DAILY AIRCRAFT UTILIZATION	7.8	7.8
<b><u>COST PER REVENUE/PAID AIRCRAFT MILE</u></b>		
Direct Variable:		
Crew	\$3.2460	\$3.2460
Fuel, Oil, & Aircraft Supplies	4.9678	4.9678
Flight Equipment Maintenance	<u>5.9836</u>	E <u>6.1209</u>
Total Direct Variable	<u>14.1974</u>	<u>14.3347</u>
Direct Fixed:		
Hull, Public Liability, & Property Damage Insurance	0.1306	F 0.1309
Aircraft Rentals & Miscellaneous	1.2528	G 1.2564
Flight Equipment Depreciation & Obsolescence	0.5873	H 0.5742
Amortization of Preoperating Expense	<u>0.0000</u>	<u>0.0000</u>
Total Direct Fixed	<u>1.9707</u>	<u>1.9615</u>
Indirect:		
Maintenance & Depreciation-General Ground Property	0.0260	0.0260
Aircraft & Traffic Servicing	2.9069	K 2.8291
General & Administrative	<u>0.7913</u>	<u>0.7940</u>
Total Indirect	<u>3.7242</u>	<u>3.6491</u>
<b>TOTAL OPERATING COST</b>	<u>19.8923</u>	<u>19.9453</u>
Return on Investment	1.9892	1.9945 *
<b>TOTAL COST</b>	<u>\$21.8815</u>	<u>\$21.9398</u>
Average Investment for FY04		
Working Capital	1.2148	1.2190
Owned Flight Equipment (net)	3.5236	P 3.6486
Long Term/Capital Leased Flight Equipment (net)	0.0000	0.0000
Ground Property & Equipment (net)	0.0535	0.0535
Deferred Preoperating Expense/Other	0.0000	0.0000
Annual Operating Lease Expense	1.2528	T 1.2564
Allowable Cabin Load	75	75
<b>RATE PER TON MILE</b>	\$0.29175	<u>\$0.29253</u>

\* Allows minimum return at 10 percent of operating cost.

APPENDIX F

**NORTHWEST CARGO  
LARGE CLASS AIRCRAFT  
FY04 RATE REVIEW**

Aircraft Type B-747

Cargo Service

	FORECAST YEAR FY04	
	AMC	FINAL
	<u>PROPOSED</u>	<u>ADJUSTED</u>
TOTAL REVENUE & BACKHAUL/PAID MILES (000)	12,613	12,613
AVERAGE DAILY AIRCRAFT UTILIZATION	8.5	8.5
<b><u>COST PER REVENUE/PAID AIRCRAFT MILE</u></b>		
Direct Variable:		
Crew	\$3.4663	\$3.4663
Fuel, Oil, & Aircraft Supplies	7.9262	7.9262
Flight Equipment Maintenance	<u>4.5248</u>	<u>4.5248</u>
Total Direct Variable	<u>15.9173</u>	<u>15.9173</u>
Direct Fixed:		
Hull, Public Liability, & Property Damage Insurance	0.0162	0.0162
Aircraft Rentals & Miscellaneous	0.8865	0.8865
Flight Equipment Depreciation & Obsolescence	0.0210	0.0210
Amortization of Preoperating Expense	0.0000	0.0000
Total Direct Fixed	<u>0.9237</u>	<u>0.9237</u>
Indirect:		
Maintenance & Depreciation-General Ground Property	0.0108	0.0108
Aircraft & Traffic Servicing	3.5754	3.5754
General & Administrative	<u>0.9305</u>	<u>0.9305</u>
Total Indirect	<u>4.5167</u>	<u>4.5167</u>
<b>TOTAL OPERATING COST</b>	<u>21.3576</u>	<u>21.3576</u>
Return on Investment	2.1357	2.1357 *
<b>TOTAL COST</b>	<u>\$23.4933</u>	<u>\$23.4933</u>
Average Investment for FY04		
Working Capital	1.3442	1.3442
Owned Flight Equipment (net)	1.1290	1.1290
Long Term/Capital Leased Flight Equipment (net)	1.8259	1.8259
Ground Property & Equipment (net)	0.0151	0.0151
Deferred Preoperating Expense/Other	0.0000	0.0000
Annual Operating Lease Expense	0.8865	0.8865
Allowable Cabin Load	90	90
<b>RATE PER TON MILE</b>	\$0.26104	<u>\$0.26104</u>

\* Allows minimum return at 10 percent of operating cost.

APPENDIX F

**POLAR AIR CARGO  
LARGE CLASS AIRCRAFT  
FY04 RATE REVIEW**

Aircraft Type B-747

Cargo Service

	FORECAST YEAR FY04		
	AMC		FINAL
	<u>PROPOSED</u>		<u>ADJUSTED</u>
TOTAL REVENUE & BACKHAUL/PAID MILES (000)	4,805	A	4,632
AVERAGE DAILY AIRCRAFT UTILIZATION	7.0	B	6.7
<b><u>COST PER REVENUE/PAID AIRCRAFT MILE</u></b>			
Direct Variable:			
Crew	\$3.0800	C	\$3.1948
Fuel, Oil, & Aircraft Supplies	7.5200	D	7.7966
Flight Equipment Maintenance	<u>3.4156</u>	E	<u>3.5429</u>
Total Direct Variable	<u>14.0156</u>		<u>14.5343</u>
Direct Fixed:			
Hull, Public Liability, & Property Damage Insurance	0.2385	F	0.1210
Aircraft Rentals & Miscellaneous	6.2870	G	5.0601
Flight Equipment Depreciation & Obsolescence	0.0987	H	0.1814
Amortization of Preoperating Expense	<u>0.0000</u>		<u>0.0000</u>
Total Direct Fixed	<u>6.6242</u>		<u>5.3625</u>
Indirect:			
Maintenance & Depreciation-General Ground Property	0.0163	J	0.0169
Aircraft & Traffic Servicing	3.0949	K	3.2102
General & Administrative	<u>1.2787</u>		<u>1.2403</u>
Total Indirect	<u>4.3899</u>		<u>4.4674</u>
<b>TOTAL OPERATING COST</b>	<u>25.0297</u>		<u>24.3642</u>
Return on Investment	2.5030		2.4364 *
<b>TOTAL COST</b>	<u>\$27.5326</u>		<u>\$26.8006</u>
Average Investment for FY04			
Working Capital	1.5696		1.5225
Owned Flight Equipment (net)	1.2109	P	2.2242
Long Term/Capital Leased Flight Equipment (net)	0.0000		0.0000
Ground Property & Equipment (net)	0.2525	R	0.2619
Deferred Preoperating Expense/Other	0.0000		0.0000
Annual Operating Lease Expense	5.8884	T	4.3280
Allowable Cabin Load	90		90
<b>RATE PER TON MILE</b>	\$0.30592		<u>\$0.29778</u>

\* Allows minimum return at 10 percent of operating cost.

APPENDIX F

**UNITED PARCEL SERVICE  
LARGE CLASS AIRCRAFT  
FY04 RATE REVIEW**

Aircraft Type B-747

Cargo Service

	FORECAST YEAR FY04	
	AMC	FINAL
	<u>PROPOSED</u>	<u>ADJUSTED</u>
TOTAL REVENUE & BACKHAUL/PAID MILES (000)	98	98
AVERAGE DAILY AIRCRAFT UTILIZATION	6.0	6.0
<b><u>COST PER REVENUE/PAID AIRCRAFT MILE</u></b>		
Direct Variable:		
Crew	\$4.0395	\$4.0395
Fuel, Oil, & Aircraft Supplies	7.9661	7.9661
Flight Equipment Maintenance	<u>6.6960</u>	<u>6.6960</u>
Total Direct Variable	<u>18.7016</u>	<u>18.7016</u>
Direct Fixed:		
Hull, Public Liability, & Property Damage Insurance	0.0281	0.0281
Aircraft Rentals & Miscellaneous	0.2224	0.2224
Flight Equipment Depreciation & Obsolescence	1.5425	1.5425
Amortization of Preoperating Expense	<u>0.0000</u>	<u>0.0000</u>
Total Direct Fixed	<u>1.7930</u>	<u>1.7930</u>
Indirect:		
Maintenance & Depreciation-General Ground Property	0.0718	0.0718
Aircraft & Traffic Servicing	2.0801	2.0801
General & Administrative	<u>0.8775</u>	<u>0.8775</u>
Total Indirect	<u>3.0294</u>	<u>3.0294</u>
<b>TOTAL OPERATING COST</b>	<u>23.5240</u>	<u>23.5240</u>
Return on Investment	2.3524	2.3524 *
<b>TOTAL COST</b>	<u>\$25.8764</u>	<u>\$25.8764</u>
Average Investment for FY04		
Working Capital	1.3810	1.3810
Owned Flight Equipment (net)	10.1234	10.1234
Long Term/Capital Leased Flight Equipment (net)	0.0000	0.0000
Ground Property & Equipment (net)	0.5816	0.5816
Deferred Preoperating Expense/Other	0.0000	0.0000
Annual Operating Lease Expense	0.0207	0.0207
Allowable Cabin Load	90	90
<b>RATE PER TON MILE</b>	\$0.28752	<u>\$0.28752</u>

\* Allows minimum return at 10 percent of operating cost.

APPENDIX F

**WORLD AIRWAYS INC  
LARGE CLASS AIRCRAFT  
FY04 RATE REVIEW**

Aircraft Type DC-10-30

Cargo Service

	FORECAST YEAR FY04	
	AMC	FINAL
	<u>PROPOSED</u>	<u>ADJUSTED</u>
TOTAL REVENUE & BACKHAUL/PAID MILES (000)	376	376
AVERAGE DAILY AIRCRAFT UTILIZATION	5.0	5.0
<b><u>COST PER REVENUE/PAID AIRCRAFT MILE</u></b>		
Direct Variable:		
Crew	\$3.2998	\$3.2998
Fuel, Oil, & Aircraft Supplies	4.7061	4.7061
Flight Equipment Maintenance	<u>6.8786</u>	<u>6.8786</u>
Total Direct Variable	<u>14.8845</u>	<u>14.8845</u>
Direct Fixed:		
Hull, Public Liability, & Property Damage Insurance	0.2194	0.2194
Aircraft Rentals & Miscellaneous	2.8324	2.8324
Flight Equipment Depreciation & Obsolescence	0.1324	0.1324
Amortization of Preoperating Expense	<u>0.0000</u>	<u>0.0000</u>
Total Direct Fixed	<u>3.1842</u>	<u>3.1842</u>
Indirect:		
Maintenance & Depreciation-General Ground Property	0.1410	0.1410
Aircraft & Traffic Servicing	2.4325	2.4325
General & Administrative	<u>0.9579</u>	<u>0.9579</u>
Total Indirect	<u>3.5314</u>	<u>3.5314</u>
<b>TOTAL OPERATING COST</b>	<u>21.6001</u>	<u>21.6001</u>
Return on Investment	2.1600	2.1600 *
<b>TOTAL COST</b>	<u>\$23.7601</u>	<u>\$23.7601</u>
Average Investment for FY04		
Working Capital	1.3443	1.3443
Owned Flight Equipment (net)	1.2874	1.2874
Long Term/Capital Leased Flight Equipment (net)	0.0000	0.0000
Ground Property & Equipment (net)	0.1343	0.1343
Deferred Preoperating Expense/Other	0.0000	0.0000
Annual Operating Lease Expense	2.7653	2.7653
Allowable Cabin Load	75	75
<b>RATE PER TON MILE</b>	\$0.31680	<u>\$0.31680</u>

\* Allows minimum return at 10 percent of operating cost.

APPENDIX G

**AIR TRANSPORT INTERNATIONAL  
MEDIUM CLASS AIRCRAFT  
FY04 RATE REVIEW**

Aircraft Type DC-8

Cargo Service

	FORECAST YEAR FY04	
	AMC	FINAL
	<u>PROPOSED</u>	<u>ADJUSTED</u>
TOTAL REVENUE & BACKHAUL/PAID MILES (000)	548	548
AVERAGE DAILY AIRCRAFT UTILIZATION	5.0	5.0
<b><u>COST PER REVENUE/PAID AIRCRAFT MILE</u></b>		
Direct Variable:		
Crew	\$1.8698	\$1.8698
Fuel, Oil, & Aircraft Supplies	3.9981	3.9981
Flight Equipment Maintenance	<u>5.0868</u>	<u>5.0868</u>
Total Direct Variable	<u>10.9547</u>	<u>10.9547</u>
Direct Fixed:		
Hull, Public Liability, & Property Damage Insurance	0.4699	F 0.2118
Aircraft Rentals & Miscellaneous	1.7122	1.7122
Flight Equipment Depreciation & Obsolescence	0.0014	0.0014
Amortization of Preoperating Expense	<u>0.0000</u>	<u>0.0000</u>
Total Direct Fixed	<u>2.1835</u>	<u>1.9254</u>
Indirect:		
Maintenance & Depreciation-General Ground Property	0.0000	J 0.0196
Aircraft & Traffic Servicing	1.1833	1.1833
General & Administrative	<u>0.4940</u>	M <u>1.0968</u>
Total Indirect	<u>1.6773</u>	<u>2.2997</u>
<b>TOTAL OPERATING COST</b>	<b><u>14.8156</u></b>	<b><u>15.1798</u></b>
Return on Investment	1.4816	1.5180 *
<b>TOTAL COST</b>	<b><u>\$16.2971</u></b>	<b><u>\$16.6978</u></b>
Average Investment for FY04		
Working Capital	0.9333	0.9550
Owned Flight Equipment (net)	0.0175	0.0175
Long Term/Capital Leased Flight Equipment (net)	0.0000	0.0000
Ground Property & Equipment (net)	0.0000	0.0000
Deferred Preoperating Expense/Other	0.0000	0.0000
Annual Operating Lease Expense	1.7122	1.7122
Allowable Cabin Load	45	45
<b>RATE PER TON MILE</b>	<b>\$0.36216</b>	<b><u>\$0.37106</u></b>

\* Allows minimum return at 10 percent of operating cost.

APPENDIX G

**ARROW AIR  
MEDIUM CLASS AIRCRAFT  
FY04 RATE REVIEW**

Aircraft Type DC-8-62

Cargo Service

	FORECAST YEAR FY04	
	AMC	FINAL
	<u>PROPOSED</u>	<u>ADJUSTED</u>
TOTAL REVENUE & BACKHAUL/PAID MILES (000)	2,086	2,086
AVERAGE DAILY AIRCRAFT UTILIZATION	5.0	5.0
<b><u>COST PER REVENUE/PAID AIRCRAFT MILE</u></b>		
Direct Variable:		
Crew	\$1.5535	\$1.5535
Fuel, Oil, & Aircraft Supplies	3.8237	3.8237
Flight Equipment Maintenance	<u>2.4733</u>	<u>2.4733</u>
Total Direct Variable	<u>7.8505</u>	<u>7.8505</u>
Direct Fixed:		
Hull, Public Liability, & Property Damage Insurance	0.2219	0.2219
Aircraft Rentals & Miscellaneous	0.0000	0.0172
Flight Equipment Depreciation & Obsolescence	0.6401	0.6401
Amortization of Preoperating Expense	<u>0.0000</u>	<u>0.0000</u>
Total Direct Fixed	<u>0.8620</u>	<u>0.8792</u>
Indirect:		
Maintenance & Depreciation-General Ground Property	0.0833	0.0833
Aircraft & Traffic Servicing	1.3378	1.3378
General & Administrative	<u>0.8081</u>	<u>0.8095</u>
Total Indirect	<u>2.2292</u>	<u>2.2306</u>
<b>TOTAL OPERATING COST</b>	<u>10.9417</u>	<u>10.9603</u>
Return on Investment	1.0942	1.0960 *
<b>TOTAL COST</b>	<u>\$12.0359</u>	<u>\$12.0563</u>
Average Investment for FY04		
Working Capital	0.6484	0.6496
Owned Flight Equipment (net)	5.9085	5.9085
Long Term/Capital Leased Flight Equipment (net)	0.0000	0.0000
Ground Property & Equipment (net)	0.1127	0.1127
Deferred Preoperating Expense/Other	0.0000	0.0000
Annual Operating Lease Expense	0.0000	0.0000
Allowable Cabin Load	39.2	39.2
<b>RATE PER TON MILE</b>	\$0.30704	<u>\$0.30756</u>

\* Allows minimum return at 10 percent of operating cost.

APPENDIX G

**ARROW AIR  
MEDIUM CLASS AIRCRAFT  
FY04 RATE REVIEW**

Aircraft Type DC-8-63

Cargo Service

	FORECAST YEAR FY04	
	AMC	FINAL
	<u>PROPOSED</u>	<u>ADJUSTED</u>
TOTAL REVENUE & BACKHAUL/PAID MILES (000)	618	618
AVERAGE DAILY AIRCRAFT UTILIZATION	5.0	5.0
<b><u>COST PER REVENUE/PAID AIRCRAFT MILE</u></b>		
Direct Variable:		
Crew	\$2.2893	\$2.2893
Fuel, Oil, & Aircraft Supplies	4.7904	4.7904
Flight Equipment Maintenance	<u>2.7577</u>	<u>2.7577</u>
Total Direct Variable	<u>9.8374</u>	<u>9.8374</u>
Direct Fixed:		
Hull, Public Liability, & Property Damage Insurance	0.2533	0.2533
Aircraft Rentals & Miscellaneous	0.0230	0.0230
Flight Equipment Depreciation & Obsolescence	0.8093	0.8093
Amortization of Preoperating Expense	<u>0.0000</u>	<u>0.0000</u>
Total Direct Fixed	<u>1.0856</u>	<u>1.0856</u>
Indirect:		
Maintenance & Depreciation-General Ground Property	0.0945	0.0945
Aircraft & Traffic Servicing	1.5381	1.5381
General & Administrative	<u>1.0001</u>	<u>1.0001</u>
Total Indirect	<u>2.6327</u>	<u>2.6327</u>
<b>TOTAL OPERATING COST</b>	<b><u>13.5557</u></b>	<b><u>13.5557</u></b>
Return on Investment	1.3556	1.3556 *
<b>TOTAL COST</b>	<b><u>\$14.9113</u></b>	<b><u>\$14.9113</u></b>
Average Investment for FY04		
Working Capital	0.8025	0.8025
Owned Flight Equipment (net)	7.4778	7.4778
Long Term/Capital Leased Flight Equipment (net)	0.0000	0.0000
Ground Property & Equipment (net)	0.1019	0.1019
Deferred Preoperating Expense/Other	0.0000	0.0000
Annual Operating Lease Expense	0.0000	0.0000
Allowable Cabin Load	45	45
<b>RATE PER TON MILE</b>	<b>\$0.33136</b>	<b><u>\$0.33136</u></b>

\* Allows minimum return at 10 percent of operating cost.



## APPENDIX H

### EXPLANATORY NOTES

#### **A. Paid Miles.**

North American (B-767): Adjusted to reflect the latest monthly fuel reports that were not available at the time of proposed rate.

Polar: Adjusted to reflect the AMC pay miles to include an estimated number of backhaul miles for one-way missions. The AMC Proposed Rate utilized revenue miles to achieve a more favorable fuel burn rate.

#### **B. Utilization.**

Atlas: The carrier's utilization was adjusted to reflect FAA data.

Polar: Adjusted to reflect the carrier's Form 41 system utilization.

#### **C. Crew.**

Continental: Adjusted to include Form 41 numbers for 2<sup>nd</sup> Quarter, 2002, B737-900 costs.

Evergreen: Adjusted to include increased crew personnel costs related to change in their operations from Pacific to the Atlantic entity.

North American (B-767): Adjusted the carrier's crew cost as a result of additional documentation that supported higher crew costs for AMC's missions.

Polar: The base cost did not change. The higher cost per mile was a result of the decrease in AMC pay miles.

#### **D. Fuel.**

Continental: Adjusted to include Form 41 numbers for 2<sup>nd</sup> Quarter, 2002, B-737-900 costs.

Gemini (MD-11): Adjusted to reflect the revised fuel burn rate.

Polar: Adjusted to reflect a more reasonable fuel burn rate by utilizing the AMC adjusted pay miles cited in footnote A.

#### **E. Maintenance.**

Continental: Adjusted to reflect forecast costs.

Evergreen: Adjusted to include engine maintenance cost that was inadvertently excluded in the proposed rate.

## APPENDIX H

Gemini: Adjusted to reflect the change in method of accounting for major maintenance overhauls of the engines on its owned and leased aircraft to the built-in overhaul method.

North American: Adjusted to reflect carrier's revised leases that included higher provisioning maintenance cost.

Polar: The base cost did not change. The higher cost per mile was a result of the decrease in AMC pay miles.

### **F. Hull and PL and PD Insurance.**

American Trans Air (L-1011): Adjustment is the result of retiring several L-1011 aircraft from carrier's fleet.

Atlas: Adjusted to reflect reduced insurance cost because of carriers' decision to withdraw several higher priced aircraft from AMC service.

Air Transport International, North American (B-757): Adjusted to reflect the carrier's current insurance premiums.

Continental: Adjusted to reflect system costs and revised constructed mileage base (CMB).

Gemini: The insurance number did not change. The adjustment in insurance expense is due to a change in CMB. The DC-10 CMB number was transposed; it was proposed as 10,441 and it should have been 10,411. The MD-11 CMB changed due to a revised speed.

North American (B-767): Carrier increased the number of available aircraft days, which increased the CMB that in turn decreased their fixed cost.

Polar: As a result of the carrier removing all the B-747-400 aircraft from AMC service, the insurance cost decreased.

### **G. Aircraft Rentals/Miscellaneous.**

American Trans Air (L-1011): Adjustment is the result of retiring several L-1011 aircraft from carrier's fleet.

Arrow (DC-8-62): Adjusted to include miscellaneous expense inadvertently omitted in the proposed rate.

Atlas, Polar: Adjusted to reflect lower rental expense as a result of carrier's decision to withdraw several B-747-400 aircraft from AMC service.

Continental: Adjusted to include all leased aircraft that will be available for AMC during the forecast year. Also CMB has been revised.

## APPENDIX H

Gemini: The rental expense did not change. The adjustment in rental expense is due to a change in the CMB. The DC-10 CMB number was transposed; it was proposed as 10,441 and should have been 10,411. The MD-11 CMB changed due to a revised speed.

North American (B-757): Adjusted to reflect the rental cost as a result of the carrier submitting renegotiated leases.

North American (B-767): Adjusted to reflect revised lease costs and increasing the number of available aircraft days in the forecast year.

### **H. Flight Equipment Depreciation.**

American Trans Air: Adjustment is the result of retiring several L-1011 aircraft from carrier's fleet and including obsolescence expense that was inadvertently excluded in the proposed rate.

Atlas: Adjusted depreciation to reflect carrier's change in fleet and revised CMB.

Continental: Adjusted to reflect revised depreciation schedules and revised CMB. Also cost adjusted to reflect DCAA recommendation.

Gemini: Adjusted flight equipment depreciation to reflect carrier's depreciation policy. Also the depreciation expense was adjusted because of a change to the CMB. The DC-10 CMB number was transposed; it was proposed as 10,441, and should have been 10,411. The MD-11 CMB changed due to a revised speed.

North American (B-767): Adjusted to reflect decrease in fixed cost based on increased number of forecast available days, this increased the CMB.

Polar: Adjusted depreciation expense to reflect carrier's removal of B-747-400 aircraft from AMC service.

### **I. Amortization of Preoperating Expense.**

### **J. General Ground Property (GGP) -- Maintenance and Depreciation.**

Air Transport International: Adjusted to include GGP depreciation inadvertently omitted in the proposed rate.

American Trans Air: Adjustment is the result of the carrier's revised proposal.

Atlas: Adjusted to reflect additional aircraft departures not previously included as AMC.

Gemini (MD-11): Adjusted to reflect carrier's revised proposal.

North American (B-757): The increased cost is a result of higher GGP costs and additional departures not previously included.

## APPENDIX H

Polar: The base cost did not change. The higher cost per mile is a result of the decrease in AMC pay miles

### **K. Aircraft and Traffic Servicing (ACTS).**

American Trans Air: Adjustment is the result of minor decreases in AMC assigned ACTS cost.

Atlas: Adjusted to include the correct escalation amount.

Continental: Adjusted to reflect revised weighted B-737-800/900 departures as a percentage of the Latin American departures. Also adjusted per DCAA audit recommendation.

Evergreen: Adjusted to reflect carrier's five-year historical average cost.

Federal Express (B-747), North American (B-757): Adjusted to reflect AMC departures not previously included.

Gemini: Adjusted to reflect carrier's revised proposal.

Polar: The base cost did not change. The higher cost per mile was a result of the decrease in AMC pay miles.

### **L. Passenger Service Expense.**

American Trans Air (B-757): Adjustment is the result of revised cost data provided by carrier.

Continental: Average food costs of small class carriers were used to forecast food costs for carrier. B-737-800/900 RPM's as percentage of total Latin American RPM's were revised. Also adjusted per DCAA recommendation.

North American (B-767): The passenger service expense element was based on the carrier's B-757 passenger service expense and adjusted to reflect the B-767 ACL.

### **M. General and Administration (G&A).**

Air Transport International, Continental: Adjusted to reflect revised G&A rate based on DCAA recommendation.

### **N. Return on Investment.**

### **O. Working Capital.**

## APPENDIX H

### **P. Investment in Owned Flight Equipment.**

American Trans Air (L-1011): Adjustment is the result of retiring several L-1011 aircraft from carrier's fleet.

Atlas: Adjusted investment to reflect carrier's change in fleet and revised CMB.

Continental: Adjusted to reflect revised carrier submitted depreciation schedules, revised CMB and DCAA audit recommendations.

Gemini (DC-10-30): Adjusted flight equipment investment to reflect carrier's depreciation policy. Also the net investment was adjusted because of a transposed number in the CMB. In the proposed rate 10,441 was the CMB used instead of the correct CMB of 10,411.

Gemini (MD-11): Adjusted to reflect carrier's revised proposal.

Polar: Adjusted investment to reflect carrier's removal of B-747-400 aircraft from AMC service.

### **Q. Investment in Long-Term/Capital Leased Flight Equipment.**

Continental: Adjusted to include all long-term leased airframes and modifications and the revised CMB.

### **R. Investment in General Ground Property and Equipment (GGP).**

American Trans Air: Adjustment is the result of the carrier's revised proposal.

Atlas: Adjusted to reflect additional aircraft departures not previously included as AMC.

Continental: Adjusted to reflect revised CMB.

North American (B-757): The increased cost is a result of higher GGP and additional departures not previously included as AMC.

Polar: The base cost did not change. The higher cost per mile is a result of the decrease in AMC pay miles

### **S. Investment in Deferred Preoperating Expense/Other.**

### **T. Annual Operating Lease Expense.**

American Trans Air (L-1011): Adjustment is the result of retiring several L-1011 aircraft from carrier's fleet.

Atlas, Polar: Adjusted to reflect lower rental expense as a result of carrier's decision to withdraw several B-747-400 aircraft from AMC service.

## APPENDIX H

Gemini: The rental expense did not change. The adjustment in rental expense is due to a change in the CMB. The DC-10 CMB number was transposed; it was 10,441 and should have been 10,411. The MD-11 CMB changed due to a revised speed.

North American (B-757): Adjusted to reflect the rental cost as a result of the carrier submitting renegotiated leases.

North American (B-767): Adjusted to reflect the revised rental cost as a result of the carrier submitting revised lease costs and increasing the number of available aircraft days in the forecast year.

### **U. Allowable Cabin Load (ACL).**

<p style="text-align: center;"><b>PASSENGER EUROCONTROL SURCHARGE</b></p>
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Carrier	Aircraft	ACL	Routing	AMC Pay Miles	Trip Revenues	Euro Charges	Euro As Percent of Trip Rev
AMT	L-1011	280	KBWI-EINN-LCLK-OKBK-OEPS-LCLK-EINN-KBWI	14077	\$ 314,418	\$ 10,565	3.4%
AMT	L-1011-500	300	KBWI-EGUN-LTAG-EGUN-KBWI	11292	\$ 270,229	\$ 10,100	3.7%
NOC	B-757	190	KNGU-LERT-LICZ-OBBI-LICZ-LERT-KNGU	14358	\$ 276,949	\$ 11,003	4.0%
OAE	DC-10-30	330	KWRI-EDDF-OKBK-EDDF-KCOS	14017	\$ 368,985	\$ 13,077	3.5%
OAE	DC-10-30	330	KATL-EDDF-OTBH-OOMA-EDDF-KWRI	15349	\$ 404,049	\$ 11,417	2.8%
WOA	MD-11	360	KATL-EDDF-KATL	9230	\$ 265,060	\$ 4,614	1.7%
WOA	DC-10	330	KBWI-EDDF-LTAG-UAFM-LTAG-EDDF-KBWI	16330	\$ 429,873	\$ 12,623	2.9%
					\$ 2,329,562	\$ 73,397	3.2%

<p style="text-align: center;"><b>CARGO</b></p> <p style="text-align: center;"><b>EUROCONTROL SURCHARGE</b></p>
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Carrier	Aircraft	ACL	Routing	AMC Pay Miles	Trip Revenues	Euro Charges	Euro As Percent of Trip Rev
AIA	DC-8	45	KWRI-BIKF-ETAR-LPLA-KWRI	8524	\$ 106,954	\$ 4,521	4.2%
EIA	B-747	90	KDOV-ETAR-OKBK-ETAR-OTBD-ETAR-	18754	\$ 470,626	\$ 21,264	4.5%
P5C	B-747	90	KDOV	11876	\$ 298,025	\$ 14,435	4.8%
			KDOV-ETAR-HECA-ETAR-KDOV				
APW	DC-8	45	KBOS-LERT-LICZ-OBBI-LICZ-LERT-	14520	\$ 182,188	\$ 9,642	5.3%
			KMIA				
WOA	DC-10-30	75	KSVN-EINN-LCLK-OKBK-LCLK-EINN-	14240	\$ 297,790	\$ 12,295	4.1%
ATLAS	B-747	90	KSVN	9193	\$ 230,696	\$ 5,672	2.5%
NWA	B-747	90	KHSV-EGPK-ELLX-KHSV	16412	\$ 411,854	\$ 13,986	3.4%
FDX	MD-11	86	KDTW-EHAM-VABB-EHAM-KDTW	8716	\$ 209,004	\$ 5,408	2.6%
			KDOV-ETAR-KMEM				
					\$ 2,207,136	\$ 87,224	4.0%



<p><b>COMPUTATION COST ESCALATION FACTOR</b></p>
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	Weight	PERCENT CHANGE
1. ADJUSTED ATA INDEX (YE JUN 01 VS YE JUN 02)	75%	4.63%
2. PPI - AIR TRANSPORTATION INDEX (YE DEC 01 VS YE DEC 02)	25%	1.75%
<b>ANNUAL AVERAGE</b>		<b>3.91%</b>
<b>27 MONTH - ESCALATION FACTOR</b>		<b>9.01%</b>

**Note:** The 27 month esclation factor represents mid-point of base year (YE Jun 02) to mid-point of forecast year (FY04).

Cost escalation model will be updated when Sep 02 data is available.

APPENDIX J

**Adjusted ATA Index**

<b>YEAR ENDING</b>	<b>INDEX</b>	<b>PERCENT CHANGE</b>
Jun-00	173.03	
Jun-01	181.02	4.62%
Jun-02	189.41	4.63%

**PPI - Air Transportation, Nonscheduled**

<b>YEAR ENDING AVG</b>	<b>INDEX</b>	<b>PERCENT CHANGE</b>
Dec-00	114.70	
Dec-01	120.30	4.88%
Dec-02	122.40	1.75%

**Note:** The ATA index is adjusted to remove cost not associated with a government charter operation, i.e., traffic commissions, fuel, interest, and advertising & promotions.

The ATA index represent the latest available four quarter average for periods ending Jun, and the PPI for the period ending December. The ATA index will be updated for the final rate using four quarter average for periods ending September.

<p style="text-align: center;"><b>COMPUTATION RATE OF RETURN ON INVESTMENT</b></p>
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Debt:	45%	Cost of Debt:	7.80%
Equity:	55%	Cost of Equity:	13.83%

CALCULATION:       $45\% (7.80) + 55\% (13.83) =$       **11.12%**

Cost of Debt: Year Ending Sep 02 Baa corporate bond rating from  
Federal Reserve Bulletin.

Cost of Equity: From the "Capital Asset Pricing Model" page 2.

## CAPITAL ASSET PRICING MODEL

$$KE = RF_1 + B(KM - RF_2)$$

KE: COST OF EQUITY

RF<sub>1</sub>: RISK FREE RATE OF RETURN ON LONG TERM US TREASURY  
SECURITIES FOR YEAR-ENDING DEC 01

B: AVERAGE BETA FOR AIR TRANSPORTATION INDUSTRY

KM: LONG TERM AVERAGE RETURN ON S&P 500 BASED ON 1926  
THROUGH 2001

RF<sub>2</sub>: LONG TERM AVERAGE RETURN ON LONG TERM GOVERNMENT  
BONDS BASED ON 1926 THROUGH 2001

$$\begin{aligned} KE &= RF_1 + B (KM - RF_2) \\ &= 5.420 + 1.80 (10.208 - 5.536) \\ &= \underline{\underline{13.83\%}} \end{aligned}$$

Note: Will update risk free rate of return on long term US Treasury securities when  
quarter ending Dec 02 becomes available.

APPENDIX L

COMPUTATION OF COMMERCIAL BACKHAUL RATIOS  
AMC SERVICE FOR BASE YEAR ENDING JUN 02

PASSENGER			PAID ONE-WAY SERVICE		WEIGHTED BY ACL	
CARRIER	AIRCRAFT TYPE	ACL	ONE-WAY PAID MILES	FLOWN EMPTY BACKHAUL	ONE-WAY ASM'S [000]	FLOWN EMPTY BACKHAUL [000]
ATA	L-1011	295	735,009	325,279	216,828	95,957
ATA	B-757-200	190	99,786	44,186	18,959	8,395
MIA	B-727	150	36,352	24,313	5,453	3,647
MIA	B-737-200	150	81,057	74,305	12,159	11,146
NOC	B-757	190	92,661	42,654	17,606	8,104
OMNI	DC-10	330	129,831	107,487	42,844	35,471
WOA	DC-10	330	194,611	127,092	64,222	41,940
WOA	MD-11	360	870,131	541,934	313,247	195,096
Totals					691,317	399,757

RATIO OF EMPTY ASM'S TO ONE-WAY ASM'S 57.83%

CARGO 1/			PAID ONE-WAY SERVICE		WEIGHTED BY ACL	
CARRIER	AIRCRAFT TYPE	ACL	ONE-WAY PAID MILES	FLOWN EMPTY BACKHAUL	ONE-WAY ASM'S [000]	FLOWN EMPTY BACKHAUL [000]
ATI	DC-8	45	21,587	-	971	-
Arrow	DC-8-62	39.2	6,987	7,486	274	293
Arrow	DC-8-63	45	2,009	1,072	90	48
Atlas	B-747	90	419,368	146,111	37,743	13,150
EIA	B-747	90	74,074	27,498	6,667	2,475
FDX	B-747	90	92,386	46,418	8,315	4,178
FDX	MD-11	86	13,985	-	1,203	-
Gemini	DC-10	75	43,799	23,950	3,285	1,796
Gemini	MD-11	86	39,621	27,323	3,407	2,350
NWA	B-747	90	18,577	2,547	1,672	229
Polar	B-747	90	178,489	89,245 *	16,064	8,032
UPS	B-747	90	4,721	4,721	425	425
WOA	DC-10	75	54,839	40,416	4,113	3,031
Totals					84,229	32,976

RATIO OF EMPTY ATM'S TO ONE-WAY ATM'S 39.15%

\* Estimated empty backhaul

1/ Adjusted to reduce fixed buy statistics.